INDIAN TARIFF BOARD

EVIDENCE

Recorded during enquiry into the

STEEL INDUSTRY

Volume III

Remaining Witnesses

CALCUTTA
SUPERINTENDENT GOVERNMENT PRINTING, INDIA
1924

QUESTIONNAIRES FOR WITNESSES.

The following Questionnaires were issued by the Tariff Board:—

I.—GENERAL.

(ISSUED TO ENGINEERING FIRMS AND ASSOCIATIONS.)

Letter, dated 29th August 1923.

I am directed to enclose a copy of a short questionnaire drawn up by the Tariff Board in connection with their enquiries into the steel industry.

2. The Tata Iron and Steel Company have put forward their claims to protection and have asked that the rates of duty on imported steel should be raised from 10 to 33⅓ per cent. An important aspect of the case is the effect which the imposition of duties at that rate would have upon other industries for which steel is an important raw material. It is from this point of view that the questions have been framed. The Board are most anxious to ascertain the views of the firms interested in iron and steel, and the questions are intended to indicate the main points on which they desire information. At the same time the Board would like to make it plain that the questionnaire deals with only one aspect of the case and is not intended to be exhaustive. It is, of course, open to any one to adduce evidence to show that protection for steel is unnecessary or that the amount proposed is either excessive or insufficient. Apart from that your firm may wish to direct the attention of the Board to other aspects of the case which are important to you. But for the present the proposal put forward by the Tata Iron and Steel Company holds the field and it is the duty of the Board to ascertain as far as possible what the consequences are likely to be if effect were given to it.

3. I am to ask that if you intend to lay any representation before the Board full information may be given on the points brought out in the questions. It is important that all such representations should be sent in with the least possible delay. Unless they are received by the 15th September it will be difficult for the Board to complete their work by the date when it will be necessary for them to submit their recommendations to the Government of India. If you desire to adduce oral evidence the Board will fix a date after receiving the written statement of your views. I am to add that if you put forward proposals for the protection of any articles manufactured by your firm, it is desirable that the question of the cost of production should be dealt with as fully as possible.

4. It is the intention of the Board to take evidence as far as possible in public in accordance with the recommendations made in paragraph 303 of the report of the Fiscal Commission. If, however, you are unwilling to publish part of the information you desire to lay before the Board, they will be prepared to treat it as confidential. It is to be remembered, however, that the Board may find themselves unable to base their recommendations on information which cannot be made public and it may, therefore, be important from your point of view that the main facts should be brought out in public evidence.

5. I am to request that, if possible, 6 spare copies of all documents placed before the Board may be sent.

6. All communications should be addressed to me at the office of the Board at No. 1, Council House Street, Calcutta.

QUESTIONNAIRE.

1. The proposal which has been put forward by the Tata Iron and Steel Company, is that the duties on imported steel should be raised from 10 to 33⅓ per cent. Do you consider that the adoption of this proposal would adversely affect the operations of your firm and if so to what extent?

2. What are the principal products manufactured by your firm for which steel is a necessary raw material?

3. State approximately the kinds of steel, and the quantity of each kind, required by the firm annually for the manufacture of their products.

4. What proportion does the cost of the steel bear in the case of each product to the total cost of the finished article?

5. What is the approximate Indian consumption of each product, and what proportion of that consumption is (*a*) imported or (*b*) manufactured in India?

6. What was the actual outturn by your firm during each of the last five years in the case of each product and what is the maximum outturn of which your plant, as at present organised, is capable?

7. Who are the principal consumers of the articles produced by your firm and for what purposes are they used? Are any of these products exported from India at present and if so to what extent?

8. Are any of the products of your firm used as the raw material for any other industry, and if so of what industries?

9. What foreign competition (including for this purpose competition from the United Kingdom or other parts of the Empire) do the products of your firm have to meet—

(*a*) in the Indian market,

(*b*) elsewhere?

10. Do you consider that, in accordance with the principles laid down by the Fiscal Commission in paragraph 97 of their report, the circumstances justify the grant of protection to any of the products (of which steel is the principal raw material) produced by your firm—

(*a*) if the duties on steel were to remain unaltered, or

(*b*) if the rate of duty were to be increased to 33⅓ per cent.?

11. If protection is considered necessary in the case of any product at what rate and in what form do you consider it should be granted?

12. Does the industry in which your firm is engaged ever suffer from dumping so far as those products are concerned for which steel is a principal raw material?

II.—RAILWAYS.

(a) Steel Castings.

Letter No. 271, dated 19th September 1923.

In connection with the enquiries of the Tariff Board into the steel industry two commercial firms producing steel castings in India have put forward a request for protection. Complete statistics of the import of steel castings into India are not available in the Trade Returns, but the Board understands that the Railways are the chief consumers and I am, therefore, directed to ask whether you will be good enough to inform the Board of—

(*a*) the weight and value of steel castings imported as such by your Railway during the last 2 official years;

(*b*) the chief purposes for which these castings were used;

(*c*) the approximate weight and values, if ascertainable, of steel castings imported as parts of wagons, locomotives, carriage underframes or other important articles during the last 2 years.

(*d*) whether you expect that the annual requirements of your Railway will increase during the next five years.

2. If steel castings are produced for your own purposes in your own workshops, it would help the Board if you would state the amount of your output during the last 2 years.

3. One of the firms referred to above makes its castings entirely from steel scrap and the question has been raised whether the supply of raw material of this kind would be adequate for the manufacture of steel castings on a large scale. In order that they may satisfy themselves on this point the Board would be glad to know the average amount of steel scrap which your Railway can place on the market for sale annually.

(b) General.

Letter No. 272, dated 19th September 1923.

The Tariff Board have been directed to examine the question of protection to the steel industry and an important branch of their enquiry is the effect which the imposition of protective duties on steel would be likely to have on the Railways in India. I am directed to enclose a set of questions which have been drawn up on certain points regarding which the Board would be glad to have information from your Railway. I am to request that, if possible, the replies may be sent so as to reach the Board not later than the 1st November.

2. In my letter No. 271, dated the 19th September 1923, the Board have also addressed you regarding the requirements of your Railway in respect of steel castings, and another communication will be sent shortly on the subject of the claims which have been placed before the Board by the wagon building firms. Apart from the special problems, the Board will be glad to receive any expression of the views of your company on the general question of protection to the steel industry as affecting Railways which you may care to submit.

3. [To Companies other than (1), (2), (3) and (4).] If you desire that oral evidence on behalf of your Company should be taken, the Board will endeavour to arrange for this either at Calcutta before the 10th November, or at Bombay between the 12th and the 23rd November.

3. [To (3) and (4) only.] The Board would be glad, if possible, to examine a representative of your Railway orally at Bombay between the 12th and the 23rd November.

3. [To (1) and (2) only.] The Board would be glad to examine a representative of your Company orally at Calcutta. If possible this might be

some before the 12th October, but if the answers to the questions are not ready in time the Board will endeavour to fix some date after the Puja holidays and before the 10th November 1923.

General Questionnaire.

1. What do you estimate as the probable annual consumption during the next five years by your Railway of the kinds of steel included in the enclosed statement* which has been supplied by the Tata Iron and Steel Company?

2. To what extent would the annual capital or revenue expenditure of your Railway be increased if the import duty were raised from 10 to 33⅓ per cent., assuming that customs duty was payable on all imported materials and that the price was increased to the full extent of the additional duty?

3. What further increase of expenditure would result if the higher import duty were extended also to structural steel imported in a fabricated condition?

4. Would the increase of expenditure be of such magnitude as to render an increase of rates and fares necessary or to prevent a reduction in rates and fares which otherwise might have been possible?

5. Do you consider that the increase in the price of steel resulting from the raising of the import duty to 33⅓ per cent. would be likely to retard the construction of Railways in India?

6. Do you consider that the establishment of the steel industry in India is desirable in itself from the Railway point of view putting aside for the moment the question of the means by which that result is to be attained?

7. Assuming that the industry cannot be established without protection, in what form do you consider it should be given?

(c) Wagons.

Letter No. 313, dated 26th September 1923.

In connection with the enquiries of the Tariff Board two firms manufacturing wagons in India have put forward a claim for protection. I am directed to enclose a set of questions which have been drawn up with reference to this claim and I am to request that the Board may be favoured with the replies of your Company to these questions not later than the 1st November next, if possible.

Questionnaire concerning Wagons.

NOTE 1.—Quantities, weights and costs of the wheels and axles required for the wagons dealt with should be eliminated from the figures given in reply to this questionnaire.

NOTE 2.—Where possible figures should be given for (*a*) 1922-23, (*b*) 1923-24 and (*c*) probable average for the 4 years 1924-25 to 1927-28.

1. What is the total number of wagons used by your Railway? How many are of each of the main types?

2. What are the annual requirements of new wagons of each of the main types?

3. Do you build wagons in your own workshops? If so, please give details of costs for the main types.

4. How many wagons have been bought in India?

5. What have been the costs of each of the main types of imported wagons (*a*) c.i.f. Indian port *plus* landing charges and duty; (*b*) finally erected and ready to run, not including cost of wheels and axles, firstly, if erected in your

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* *Vide* Statement 2 (*a*) in the statements and notes received from the Tata Iron and Steel Company, Limited.

own works, and secondly, if erected by private firms. If erected in your own works please give details of costs.

6. For each of the main types of wagon what are the weights of the following per wagon?

(a) Total wagon.

(b) "B" Class steel used in manufacture of wagon.

(c) "D" Class steel used in manufacture of wagon.

(d) Steel castings used in manufacture of wagon.

(e) Spring steel used in manufacture of wagon.

(f) Steel plates and sheets used in manufacture of wagon.

(g) Structural steel (angles, channels, etc.) used in manufacture of wagon.

(h) Wrought iron used in manufacture of wagon.

(i) Iron castings used in manufacture of wagon.

If any other class of steel is used to an important extent please give information.

7. Have you adopted, or are you considering the adoption, for wagon axles, tyres and springs the alternative British Standard Specifications (Report 24, Nos. 3a, 5a, 6a) or any other specifications which permit the use of basis open-hearth steel for these purposes? If not, why not?

8. Do you consider that the establishment of a wagon building industry in India is desirable in itself from the Railway point of view putting aside for the moment the question of the means by which that result is to be obtained?

9. Do you think that it would be more economical in the long run for the Railways to develop their own wagon works?

10. The wagon companies in India are asking for assistance to an extent which would bring the price paid to them for an A-1 type broad gauge wagon to about Rs. 4,600 while the price of steel in India is as at present. They have also asked that if protective duties are imposed on steel they may be compensated for the resulting increase in their cost of production. They estimate that for each increase of 10 per cent. in the duty the cost of the finished wagon would go up by about Rs. 220. Assuming that assistance to the extent asked for is necessary and advisable, in what form do you consider it should be given?

11. If assistance were given in a form which would increase the cost of wagons to the Railways do you think that the increase would be of such magnitude as to render an increase of rates and fares necessary or to prevent a reduction in rates and fares which might otherwise have been possible? And do you consider that the increase would be likely to retard the construction of Railways in India?

III.—LOCAL GOVERNMENTS.

(a) Quantities of steel consumed in the mufassal.

Letter, dated 27th September 1923.

The appointment of the Tariff Board was announced in the Resolution of the Government of India in the Department of Commerce, No. 3748, dated the 10th July 1923, and at the same time the question of protection to the steel industry was referred to them for report. The Board have been able to obtain information regarding the major industries for which steel is a principal raw material, but so far they have not been able to collect much regarding the consumption of steel in the mufassal generally or regarding the minor industries dependent on steel. The main points on which the Board desire

information are covered by the enclosed questionnaire and it would be of great assistance to the Board if a note could be prepared on these points by the local Director of Industries and supplied to them. Any observations which the Government of may care to make on some or all of the points will, of course, be welcomed by the Board.

2. I am to add that, if possible, the note now asked for should reach the Board by the 15th of November. The time within which the Board have to submit their recommendations to the Government of India is limited, and if the information is to be of use it must be received by the date indicated.

Questionnaire regarding quantities of steel consumed in the mufassal.

1. What articles made of steel are in common use in villages and small towns in ?

2. To what extent at present are the articles enumerated in the reply to (1) imported and to what extent are they manufactured in India?

3. Where the articles are locally manufactured to what extent are they made from steel bars (either imported or manufactured in India) and to what extent from steel scrap?

4. How far would an increase in the duty on imported steel from 10 to 33⅓ per cent. involve increased expenditure to the ordinary cultivator or to the resident in a small town?

5. What minor industries exist in for which steel is a principal raw material?

6. How would these industries probably be affected by an increase in the duty on steel from 10 to 33⅓ per cent.?

(b) Quantities of Steel purchased by Local Governments.

Letter, dated 3rd October 1923.

In the representation addressed to the Tariff Board by the Tata Iron and Steel Company the proposal has been made that the customs duty on imported steel should be raised from 10 to 33⅓ per cent. Under the existing rules customs duties are not payable on Government stores and an increase in the duty would not affect Government expenditure on imported steel although under the operation of the stores rules, it might lead to larger purchases in India at a higher price. It has, however, been urged by witnesses who have given evidence before the Board that customs duties on all imported stores should actually be paid by all purchasing Departments of Government. If this proposal were adopted Local Governments would be affected by an increase in the duty on steel to the same extent as other consumers, and the Board are anxious to ascertain, if possible, what the result would be so far as Provincial Governments are concerned.

2. I am directed to request that, if there is no objection, the Tariff Board may be furnished with information on the following points:—

(a) What was the average quantity of steel, whether fabricated or unfabricated, used annually by the Government of for public works during the last 3 years?

(b) Can this quantity be taken as an approximate estimate of their average annual requirements for the next 5 years?

(c) To what extent would the cost of the steel used by the Local Government be increased if the import duty on steel were raised from 10 to 33⅓ per cent. as proposed by the Tata Iron and Steel Company and duty were payable on Government importations of steel?

The Board will welcome any observations which the Government of may care to make on the basis of the facts disclosed.

3. I am to add that if possible the information asked for should reach the Board by the 15th of November next. The time within which the Board have to submit their recommendations to the Government of India is limited and if the information is to be of use it must be received by the date indicated.

IV.—SPECIAL.

Letter, dated 27th September 1923, (1) The Bengal Iron Company, (2) The Indian Iron and Steel Company, (3) The United Steel Corporation of Asia.

The Tata Iron and Steel Company in their representation addressed to the Tariff Board, have argued that, if adequate protection is accorded to the manufacture of steel, it is probable that other firms will also commence to manufacture and that before many years have elapsed the price of steel in India will be affected by internal competition and will eventually be brought down by this means to the world level. This question is of great importance in connection with the enquiries the Board are now carrying on, for so long as the manufacture of steel is carried on in India by a single firm only the danger of monopoly prices always exists.

2. To (1). The Board understand that some years ago your Company commenced the manufacture of steel but eventually abandoned the experiment, and the experience then gained will render your opinion of special value.

To (2). The Board understand that when the Indian Iron and Steel Company was formed it was intended to manufacture both pig iron and steel but that the scheme for steel manufacture has been dropped for the present.

To (3). The Board understand that the object in view when the United Steel Corporation of Asia was formed was to manufacture both pig iron and steel, but they do not know whether the manufacture of steel still forms part of the Corporation's plans.

3. (To all.) I am directed to enquire whether you would be prepared to assist the Board by furnishing them with a written statement of your views on the subject indicated in paragraph 1 above. The claim put forward on behalf of the Tata Iron and Steel Company is that the rate of duty on imported steel should be raised from 10 to 33⅓ per cent., and the question on which the Board would be glad to have the opinion of

the Bengal Iron Company

the Indian Iron and Steel Company

the United States Steel Corporation of Asia

is whether the imposition of that rate of duty would induce other firms to enter on the manufacture of steel. If you consider that the rate of duty proposed is (*a*) excessive or (*b*) inadequate to secure the object in view the Board will be glad to have your opinion.

To (2) only. Any information that can be given as to the reasons which led to the Indian Iron and Steel Company to modify their original plans for the manufacture of steel will be useful to the Board.

To (3) only. If, as things stand at present, the United Steel Corporation do not intend to proceed with their plans for the manufacture of steel, any information you can give as to the reasons underlying the decision of the Corporation will be useful to the Board.

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Replies by Local Governments to Questionnaires issued to them.

No. 29.

Letter, dated the 14th November 1923, from the Government of Bihar and Orissa forwarding replies to questionnaire No. III (a).

With reference to your letter No. 326, dated the 27th September 1923, I am directed by the Government of Bihar and Orissa in the Ministry of Education to forward a copy of letter No. 7341, dated the 12th November 1923, from the Director of Industries, Bihar and Orissa, containing the information desired by the Tariff Board.

2. The local Government have nothing to add to the views expressed by the Director of Industries.

No. 7341, Patna, the 12th November 1923.

From—B. A. Collins, Esq., I.C.S., Director of Industries, Bihar and Orissa,

To—The Secretary to the Government of Bihar and Orissa, Education Department.

With reference to Memo. No. 2649-D., dated the 2nd of October 1923, forwarding a questionnaire from the Tariff Board, I have the honour to give the following answers to the questions asked:—

(1) *What articles made of steel are in common use in villages and small towns in Bihar and Orissa?* In the villages the following are the chief articles of iron and steel used—

(a) ploughshares;

(b) wheel centres and tyres for bullock carts;

(c) sugar cane mills;

(d) pans for boiling sugar juice;

(e) hoes or *khurpis;*

(f) *kodalis;*

(g) kerosene tins;

(h) artisans' tools; and

(i) horse and bullock shoes.

(2) *To what extent at present are the articles enumerated in the reply to (1) imported and to what extent are they manufactured in India?* All these articles are entirely manufactured in India with the exception of some of the pans for boiling sugar juice, kerosene tins and kodalis. Pans for boiling sugar juice are made up from tinplates, which are either scrap or imported for the purpose. Kerosene tins have hitherto been manufactured in India from imported tinplates, but tinplate is now being made on a large scale at Jamshedpur.

(3) *Where the articles are locally manufactured, to what extent are they made from steel bars (either imported or manufactured in India) and to what extent from steel scrap?* Most of these articles which are manufactured locally are made from mixed iron and steel scrap, but steel rods or bars, either imported or made at Jamshedpur, are sometimes used and appear to be the only material from which the cart wheel tyres are made. It is impossible to give any idea of the relative quantities of scrap and bars used, but probably the chief source is from scrap.

(4) *How far would an increase in the duty on imported steel from 10 to 33⅓ per cent. involve increased expenditure to the ordinary cultivator or to*

the resident in a small town? The actual increase in the cost of the articles mentioned above would not be a serious tax on the cultivator or resident in a small town, but an increase in the price of kerosene tin would involve a material increase in the price of oil. The chief effect on the resident of the mufassal would be indirect, *e.g.*, the increased cost of transport, since the proposed increase of duty would mean a substantial increase in the capital and working cost of railways.

(5) *What minor industries exist in Bihar and Orissa for which steel is a principal raw material?* There are not many small industries in Bihar and Orissa which use steel, but there is a certain amount of cheap cutlery, axes, tea pruning knives, *pan*-cutters, etc., made in the Manbhum district, the raw material for which consists chiefly of old rails.

(6) *How would these industries probably be affected by an increase in the duty on steel from 10 to 33⅓ per cent?* An increase in the duty on steel would naturally mean an increase in the cost of the raw material of this industry, but it would be difficult to prophesy its exact effect.

No. 29(*a*).

Replies to questionnaire No. III (b) from the Government of Bihar and Orissa, dated 20th November 1923.

With reference to your letter No. 353, dated the 3rd October 1923, on the above subject, I am directed to furnish the following information required in paragraph 2 of your letter under reference:—

(*a*) The average quantity of steel used by this Government during the last three years is 500 tons a year inclusive of local.

(*b*) The average annual requirements for the next five years may be taken at 547 tons.

(*c*) Assuming the cost of imported steel in future years to be Rs. 160 per ton, the cost payable by the Local Government for 448 tons of such steel representing the average annual requirement for the next five years, will rise from Rs. 71,680 to Rs. 95,573, if effect is given to the proposals.

No. 30.

Letter, dated the 9th November 1923, from the Government of Assam forwarding replies to questionnaire III (a).

I am directed to refer to your letter No. 326, dated the 27th September 1923, regarding the consumption of steel as a raw material for minor industries in Assam, and to forward a copy of a note prepared by the Director of Industries, Assam, in reply to the questionnaire annexed to your letter.

Replies to questionnaire No. III (a).

1. Household and agricultural implements, carpenters' and blacksmiths' tools, scissors, needles, trunks, cash boxes, nails, screws, etc.

2. Roughly one-third of the articles enumerated above such as saws, edges, chisels, gimlets, scissors, needles, etc., are imported. Ordinary domestic and agricultural implements are manufactured locally. Steel trunks and cash boxes in use are largely of Indian manufacture.

3. Household and agricultural implements like daos, knives, ploughshares, etc., are made locally from steel bars and spades from steel scrap. In cutting implements the edges are of steel bars welded into ordinary scrap iron hammered to proper sizes. Trunks and boxes are made out of thin steel plates or sheets. Wire nails and screws are also now largely made in India.

4. As imported steel is still used in manufacturing many articles the increase in the duty on steel bars (flat and round) and steel sheets will necessarily raise the cost of production and affect the people living in the villages and small towns. It is difficult to estimate the increase in the expenditure of such people consequent on an increase of the duty from 10 to 33⅓ per cent.

5. The bazar blacksmiths' industry.

6. I am afraid the raising of the duty will increase the cost of the imported steel and there is every reason to suppose that the price of Indian steel, which is sought to be protected, will also be raised so that the increased taxation will ultimately fall on the consumers.

No. 30(*a*).

Replies to questionnaire No. III (b) received from the Government of Assam, dated 16th November 1923.

With reference to your letter No. 353, dated the 3rd October 1923, I am directed by the Government of Assam to supply the information required by the Board.

(*a*) A statement showing the average quantity of steel, (fabricated and unfabricated), obtained annually by the Government of Assam for Public Works during the last 3 years is enclosed.

(*b*) This quantity can be taken as a very rough approximation but under the present changing conditions and financial stringency it is impossible to make any reliable forecast.

(*c*) The cost of this average quantity of steel used by the Local Government would be increased by Rs. 15,195 and Rs. 9,707 on local purchase and on Home indent respectively if the import duty on steel were raised and charged, as suggested.

Average quantity of steel (fabricated and unfabricated) obtained during the last 3 years in Assam.

YEAR.	Obtained by local purchase.				Obtained from England.				REMARKS.
	Tons.	Cwt.	Qr.	lbs.	Tons.	Cwt.	Qr.	lbs.	
1920-21 . .	22	5	3	15	59	13	2	23	
1921-22 . .	38	13	0	4	13	19	2	0	
1922-23 . .	71	7	0	12	4	4	0	0	

No. 31.

Letter, dated 9th November 1923, from the Government of Madras forwarding replies so questionnaire No. III (a).

With reference to your letter No. 326, dated 27th September 1923, I am directed to enclose a note prepared by the Director of Industries, Madras, on the points mentioned in the Tariff Board's questionnaire. The only comment that the Government of Madras wish to offer at this stage is that the Director of Industries has, in their view, somewhat exaggerated the evils which would follow an enhancement of the duty on imported steel They incline to the view that the encouragement of the manufacture of steel in India which would follow on an increase in the duty would in the long run result in steel manufactured in this country proving cheaper than im-

ported steel. The entire burden of the enhanced import duty would not, in these circumstances, fall on the consumer and the competition both between the steel manufactured in this country and that imported and between the companies manufacturing steel in this country which would follow on the development of the steel industry in India would naturally bring about a reduction in prices by which he would be benefited.

Copy of letter from the Director of Industries No. 771-A/23, dated the 30th October 1923.

Government Endt. No. 2396-II/23-1, dated the 3rd October 1923.

I have the honour to submit the required note.

Question I.

The articles made of steel in common use in small towns and villages are those enumerated below.

1. Agricultural implements such as ploughs, ploughpoints, sickles, scythes, bill hooks, pickaxes, woodaxes, mamooties, crowbars, shovels, picks, forks, hoes, trowels, horse and bullock shoes, picottah buckets and boring tools and appliances.

2. Articles used for domestic purposes, *e.g.*, measures, moulds, pails, buckets, sieves, strainers, nut crackers, knives, razors, rat traps, steel trunks, iron safes, padlocks.

3. Axles and tyres for carts, carriage springs, wheel rims for country carts.

4. Carpenters', blacksmiths' Goldsmiths' and Stonecutters' tools and machine tools generally

5. Structural steel work such as steel beams and sections of various kinds, angles, Tees, iron gates, etc., pans for manufacture of jaggery, various tanks for containing water, oil and other liquids.

Question II.

Steel ploughs are imported in considerable quantities. It may be taken that in the list furnished above, a very large proportion, say, 90 per cent. of articles made of carbon or tool steel which require to be hardened after being wrought are imported and the balance 10 per cent. manufactured, in India out of imported steel or scrap. Other articles which are made of lower grade or mild steel are largely manufactured in India.

Question III.

Almost all the articles are made from steel bars and plates with the exception of some minor articles which are made up from steel scrap. Of the articles manufactured in India, about 80 per cent. of the articles are made from imported steel and 20 per cent. from scrap. These figures must be regarded as very approximate, however. The steel scrap is practically all scrap of imported steel which has paid duty and the price of scrap would react to any increase in the duty.

Question IV.

The ordinary cultivator or town dweller would have to pay a higher price for the finished product of steel. The whole of the duty would necessarily be passed on to the consumer and on top of that probably something more for the manufacturer's percentage of profit is invariably calculated on the cost of materials. The object of a tariff is to develop the home manufactures. It will be a long while before mass production of steel articles is so stimulated by the proposed tariff that the manufacturing cost falls and thereby makes possible a reduction in price to the consumer. Till then the consumer contemplated in this question will have to pay much more for his necessaries and when the expected millennium of mass production is reached,

it will be the death knell of the small producer, the village blacksmith, carriage and cart builder, knife maker, etc.

Question V.

The main industries are the various Engineering concerns and workshops, local blacksmiths motor garages, carriage and coach building works, etc.

Question VI.

The best answer to this is implicit in the reply of one Engineering firm consulted which is that "the minor industries would greatly benefit by the proposed increased duty if it were on manufactured articles and fabricated goods only and if the duty on raw materials such as steel bars, plates, steel beams, angles rounds and such like sections was kept at a very low rate, say, 2½ per cent. as hitherto." My answer would be that as the manufacturer must pay more for the raw materials so must he charge considerably for what he makes and that unless his customers find some miraculous way of increasing their incomes they will have to restrict their requirements and go short of necessary tools and implements or find substitutes, *e.g.*, use wooden for iron ploughs, lumber instead of steel beams, springless for spring carriages and so on.

No. 31(*a*).

Replies to questionnaire No. III (b) received from the Government of Madras, dated 15th November 1923.

I am directed to state:—

(1) that the average quantity of steel used by this Government for Public Works, during the last 3 years may be taken approximately as 260 tons per annum.

(2) that the average annual consumption for the next 5 years may be assumed to be about 300 tons, and

(3) that the proposed enhancement of the duty and its payment by Government departments will cost this Government about 33⅓ per cent. more than under existing conditions, as most of the steel articles are imported from the United Kingdom.

No. 32.

Letter, dated 13th November 1923, from the Government of Bombay, forwarding replies to questionnaire No. III (a).

I am directed to refer to your letter No. 326, dated the 27th September 1923, on the subject mentioned above and to forward herewith for the information of the Tariff Board the accompanying report of the Director of Industries which furnishes an *interim* reply to the questionnaire received from the Board. A further report, if received, from him will be forwarded to the Board.

The views stated are those of the Director of Industries. The Government of Bombay does not propose to express its views at this stage.

Report of the Director of Industries.

Subject:—Tariff Board: Questionnaire *re* steel Industries.

Q. 1. **In villages and small towns, the following are articles in common use made of steel:—**

Nails, Screws, door and window fittings, carpenters' and blacksmiths' tools, ploughshares, cart tyres, boiling pans, angle and T iron for some buildings.

Q. 2. **Of the articles mentioned in (1) practically only angle and T iron are imported (plus nails and screws, but it is impossible to say what propor-**

tion of nails are manufactured in this country.) The village carpenter uses a large quantity of locally made nails, but wire nails, to the extent of 4 lakhs in value were imported into Bombay in 1922-23 and into India to the extent of 37 lakhs. The other articles such as fittings, tools, plough-shares and other agricultural implements, cart tyres, boiling pans, are manufactured in the Presidency and usually locally.

Q. 3. The articles manufactured locally are almost entirely made from imported steel bars and sheets, the greater part of the scrap steel being exported (pre-war to Germany, now to some extent to Italy: this country is deficient in necessary machinery to re-roll steel). The only articles which are made from imported scrap are some carpenters' tools, especially chisels, made from worn out files which are sometimes imported.

Q. 4. An increase of duty on imported steel would probably raise the price to the local consumer to the extent of the duty if not more, unless the local retailer or artisan manufacturer is still keeping up the prices at which he sold during the war when the price of steel was some four times that of pre-war and has not dropped his price to the present relative price of steel which is about twice pre-war. If the price is still artificially high, there is every probability that an increase of duty on the imported raw steel would be passed on to the consumer.

Q. 5. The only minor industries which exist in the Presidency for which steel is the principal raw material, is that of the village blacksmith. It is presumed the engineering shops in large towns which in Bombay are a very important industrial feature, are not to be taken into consideration.

Q. 6. The village blacksmith would almost certainly pass on the duty to the consumer as the articles he manufactures are practically all of them necessities.

2. The majority of articles which used to be made locally of wrought iron are now made of mild, especially Continental, steel which is at present not only cheaper but more easily worked. It is very doubtful whether any successful definition can be made which will differentiate between imports of wrought iron and some of these mild steels.

3. One of the most important metal articles used in the districts is corrugated iron sheeting which, presumably, it is not intended to place a duty on.

4. It is presumably unnecessary to refer here to the fact that under a system of protection or bounty to the steel industry, the money for the assistance afforded to that industry would have to be found by somebody and can only be found by the general tax-payer or the general consumer and that the effect would notably be an increase in the cost of construction of all works using steel which, in this country, are mainly constructed by Government and public or semi-public bodies and that to that extent the general tax-payer and general consumer would have to pay more for the various amenities and facilities they enjoy. In other words, it would probably have an indirect as well as direct effect on the cost of living to the ordinary consumer.

No. 32(*a*.)

Replies to questionnaire No. III (b) received from the Government of Bombay, dated 10th January 1924.

With reference to your letter No. 353, dated 3rd October 1923, I am directed by the Government of Bombay (Transferred Departments) to forward a statement containing the information required in paragraph 2 of the letter under reply and to observe as follows:—

This Government do not desire to express an opinion on the main question of the proposed 33⅓ per cent. tariff on steel, but to confine their attention to the suggestion that Provincial Governments should be made to pay the duty from which they are at present exempted.

Whatever the duty that may have to be paid on imported steel, this Government cannot buy any more Indian manufactured steel than they are actually doing at present. The natural inlet for engineering raw materials into this Presidency is by the ports and, as far as can be foreseen, the sea freight on steel from Europe to Bombay is always likely to be less than the railway freight from the steel works in India.

The Bombay Government must therefore protest and protest strongly against any proposal which will involve their having to pay duty on imported steel, as it will involve a very considerable addition to their expenditure. Moreover once the principle of Provincial Governments having to pay duty on steel imported by them is admitted, it will quickly be applied to all stores, involving Provincial Governments in large extra expenditure merely by way of contribution to the Exchequer of the Government of India.

To give one example, manual labour is now costly without the counter-balance of increased efficiency, and it is found that machinery will have to replace to a very great extent the usual manual labour in the excavation of the canals of the Lloyd Barrage Scheme. If this Government has to pay duty on the steel they import, it means a call upon this great scheme, financed by the tax-payers of this Presidency to contribute at least half a crore of rupees extra, and possibly more which will only be yet another contribution to the Government of India. It is difficult to see any accruing benefit to the tax-payers of this Presidency in being called upon to shoulder this heavy additional burden.

Statement showing average quantity of steel, whether fabricated or unfabricated, used annually by the Public Works Department, Bombay Presidency, during the last 3 years, the average annual requirements for the next 5 years and the increase in the cost of the steel used, on account of the increase of import duty from 10 to 33⅓ per cent.

Name of the officer.	Average quantity of steel whether fabricated or unfabricated used annually during the last three years.	Approximate Estimate of average requirements of steel for the next five years.	Average increase in the cost of the steel used on account of the increased import duty from 10 to 33⅓ per cent.
1	2	3	4
	Tons	Tons	Rs
The Mechanical Engineer to Government	45	45	3,154
The Superintending Engineer, Central Division.	73	65	9,000
The Consulting Architect to Government.	88	44	3,000
The Superintending Engineer, Northern Division.	292	200	15,600
The Superintending Engineer, Southern Division.	210	55	12,000
The Superintending Engineer, Deccan Irrigation Division.	175	150	22,000
The Sanitary Engineer to Government	56	56	14,910
The Superintending Engineer, Indus Left Bank Division.	120	120	5,880
The Superintending Engineer, Indus Right Bank Division.	500	600	10,650
The Chief Engineer in Sind	5	5	300
The Chief Engineer, Lloyd Barrage and Canals Construction.	..	10,000	..
TOTAL	1,564	11,340	85,894

No. 33.

Letter, dated 15th November 1923, from the Government of the Central Provinces, forwarding replies to questionnaire No. III (a).

With reference to your letter No. 326, dated the 27th September 1923, I am directed to forward a copy of letter No. 5850-D., dated the 29th October 1923, from the Director of Industries, Central Provinces, containing his reply to the questionnaire regarding the steel industry and to say that the Local Government has no observations to make on the subject.

Copy of letter No. 5850-D., dated the 29th October 1923, from N. J. Roughton, Esq., I.C.S., Director of Industries, Central Provinces, to the Secretary to Government, Commerce and Industry Department, Central Provinces.

With reference to Secretariat endorsement No. 2052—1738-XIII, dated the 5th October 1923, I have the honour to reply to the questionnaire as follows:—

(1) The articles in common use are the axles and tyres of wheels for bullock-carts, the blades of hoes, the tips of ploughs and seed-drills, pick-axes, crowbars, phowrahs, carpenters' axes and edges, blacksmiths' tools, bullock-tips, betel-cutters, razors, knives, goldsmiths' and silversmiths' tools.

(2) Naturally, most of these things are made in India; only a very small percentage, about 5 per cent., being imported.

(3) About 50 per cent., from bars and 50 per cent., from scrap.

(4) To what extent the increased duty would increase the expenditure of the ordinary cultivator or the resident in a small town cannot be estimated, but it is thought that the whole of the increased duty would be passed on to the consumer.

(5) The minor industries are those of making axles and tyres for carts and the iron parts of agricultural implements, also betel-cutter, razor and knife making.

(6) It is thought that increased duty would result in decreased consumption, but the effect would not be very marked.

No. 33(*a*).

Replies to questionnaire No. III (b) received from the Government of the Central Provinces, dated 15th November 1923.

In reply to your letter No. 353, dated the 3rd October 1923, I am directed to furnish the information asked for as follows:—

(*a*) Average quantity of steel used annually by the Government for Public Works during the last three years=650 tons.

(*b*) Approximate average annual requirements during the next five years=380 tons.

(*c*) Approximate annual increase in the cost of steel based on the figure in item (*b*) above if the duty is raised from 10 to 33⅓ per cent. =Rs. 35,500.

No. 34.

Letter, dated 15th November 1923, from the Government of the Punjab, forwarding replies to questionnaire No. III (a).

In reply to your letter No. 326, dated 27th September 1923, I am directed to forward herewith a copy of a letter No. 4466, dated 3rd November 1923,

from the Director of Industries, Punjab, together with a copy of its enclosure.

2. The Punjab Government (Ministry of Agriculture) are generally in agreement with the views expressed by the Director of Industries. The Punjab is an agricultural province, and as a considerable quantity of steel is used in the manufacture of agricultural implements, an increase in the import duty on steel would not be welcome. Whether such an increase is justified depends upon the prospects of a fairly rapid development of the Steel Industry in India, and upon the extent to which prices are likely to be reduced when the Industry is established.

Copy of a letter No. 4466, dated 3rd November 1923, from the Director of Industries, Punjab, to the Financial Commissioner (Development), Punjab, Lahore.

Protection of the steel industry and proposed increased customs duty from 10 to 33⅓ per cent.

Your endorsement No. 800—27-12353, dated 15th October 1923, I attach herewith, on a separate sheet, my replies to the questionnaire accompanying your endorsement.

2. It will be seen that if the import duty on iron and steel is increased it will entail a considerable burden on the people of this province. I am of the opinion that the existing import duty of 10 per cent. *ad valorem* including wharfage and landing charges, together with the cheaper rates of pay to labour in this country compared with that paid in other steel producing countries, should supply ample protection to the steel industry if it is ever going to stand on its own feet. I would draw your attention to the extraordinary set-back in building and general business enterprise which took place in the year 1919 in this province when price of iron was at a very high rate, and if an import duty, as suggested, is imposed, a similar impediment to industrial expansion will undoubtedly occur. For these reasons I am of the opinion that this Government should strongly protest against any increase in the import duty on iron and steel.

Replies to the questionnaire taken in order.

1. All agricultural implements, with very few exceptions, are manufactured in the province from imported raw material. These include ploughs, reaping instruments, country carts axles, bolts and other fastenings for country carts, steel persian wheels and other iron used in water lifts and carpenters' and blacksmiths' tools.

In the small towns rolled steel beams, bolts and other fastenings for use in buildings, cooking utensils, axles and fittings for pony carts and tongas and carriages, gardeners' tools, carpenters' and blacksmiths' tools, etc., are nearly all manufactured from imported material.

To give some idea of the amount of iron and steel, including sheet iron and sectional iron which is imported into the Punjab, the following figures are given from the 1921-22 Report on the Internal Trade of the Province:—

Total imports	44,638 tons.
Value at present existing rates of iron including wharfage, landing charges and freight to Lahore . .	Rs. 1,00,44,000.

On this value an additional tax of 23⅓ per cent. would entail on the province an annual additional expenditure of Rs. 23,43,600.

2. As indicated above a great majority of the articles mentioned in 1, except rolled steel beams are manufactured in the province from imported material.

3. A very small portion of the articles manufactured are made from steel scrap. The majority are made from imported sections.

4. From my reply to questionnaire 1, it will be seen that the additional annual expenditure incurred in the province would amount to Rs. 23,43,600 if the duty be increased.

5. The following minor industries exist for which iron is used:—

Manufacture of agricultural implements.

Steel Persian Wheels.

Country Carts.

Pony Carts.

Tongas and other conveyances.

Cutlery.

Cooking Utensils.

Bolts and nuts.

Steel trunks and safes.

6. These industries should undoubtedly be adversely affected as fewer people could afford to purchase their manufactures.

No. 34(*a*).

Replies to questionnaire No. III (b) received from the Government of the Punjab, dated 15th November 1923.

In reply to your letter No. 353, dated 3rd October 1923, I am desired to state that this Government is unable to answer (*a*) as time has not been available to get full details.

2. Point (*b*) 600 tons may be taken as an approximate estimate of the annual requirements of the Buildings and Roads Branch, Punjab, for the next five years. Irrigation Branch figures cannot be supplied as they are not available yet.

3. It is impossible to answer point (*c*) as it is not known what action the Tata Company is going to take if the import duty was raised.

4. I am to add that the Punjab Government, Ministry of Agriculture, is of opinion that the imposition of an *ad valorem* duty on steel would be disastrous to the import of high grade steel from Great Britain. It would encourage the import of cheap and inferior continental grades, with which the country is already flooded, as these cheaper steels would be less heavily taxed than the higher class British steels. Thus if the duty is not to injure Government works, it should be imposed as a fixed duty on the weight of imported steel.

Further replies to questionnaire No. III (b) received from the Government of the Punjab, dated 21st November 1923.

In continuation of this office letter No. 1/S/18/1954/G., dated 16th November 1923, I am desired to forward herewith copy of a letter No. 4142/A.I., dated 16th November 1923, from the Chief Engineer, Irrigation Works, Punjab, giving the information required by you on the subject cited above, so far as the requirements of the Irrigation Branch of this Province are concerned.

From the Chief Engineer, Irrigation Works, Punjab, to the Officiating Secretary to Government, Punjab, Public Works Department, Buildings and Roads Branch, No. 4142/A.I., dated 16th November 1923.

Custom Duty on Imported Steel.

With reference to your endorsement No. 1/S/18/1744/G., dated 29th October 1923, on the subject noted above, I have the honour to supply the required information as noted below:—

(*a*) The average quantity of steel both fabricated and unfabricated used annually during the last 3 years, was 5,500 tons approximately.

(*b*) The estimate of average annual consumption during the next 5 years cannot be accurately determined, but it may be taken as approximately 4,000 tons.

(*c*) The increase in cost of steel may be approximately taken at 30 per cent. Taking Rs. 10 per cwt. as rate of steel, the increase in cost will amount to Rs. 2,40,000 approximately.

No. 35.

Letter, dated 19th November 1923, from the Government of Bengal, forwarding replies to questionnaire No. III (a).

With reference to your letter No. 326, dated the 27th September 1923, I am directed to forward herewith copy of a note prepared by the Director of Industries, Bengal, on the questionnaire regarding the effect of an increased duty on steel on the minor industries in Bengal.

Extract from a letter No. 8408-D.I., dated the 13th November 1923, from the Director of Industries, Bengal.

Q. 1. The following articles are in common use in villages and small towns in Bengal:—

(*a*) Spades, Digging forks, Hoes, Crowbars, Shovels, Anchors for boats, Locks, Carpenters' tools, Blacksmith tolls, Goldsmith tools, Carriage fittings, Hammers, Nails, Rice bowls.

(*b*) Plough shares, Sickles, Pickaxes, Daos, Axes, Bullock cart axles, Betelnut crackers, Sacrificial knives.

(*c*) Pruning knives, Scissors, Ordinary knives, Steel trunks, Fishing hooks.

Q. 2. Those in group (*a*) are generally imported from foreign countries; those in group (*b*) are almost invariably manufactured locally, while those in group (*c*) are both imported and manufactured locally.

Q. 3. The articles in group (*b*) are manufactured in practically all districts of Bengal from scrap steel and to a smaller extent from steel bars, either imported or manufactured in India. As there are no statistics available it is impossible to give accurate figures as to the extent to which these articles are manufactured in Bengal or as to the extent to which they are manufactured from scrap steel.

Q. 4. An increase in the duty on imported steel with a corresponding increase in the duty on imported articles in use—manufactured from steel—will naturally involve an increased expenditure of a correlative amount to the ordinary cultivator or resident in a small town.

Q. 5. The minor industries in Bengal of which steel is the principal raw material are those which manufacture the articles included in the groups (*b*) and (*c*).

Q. 6. Without a corresponding increase in the import duties on the articles indicated in groups (*b*) and (*c*) these minor industries would be adversely affected by an increase of the import duty on steel.

No. 35(*a*).

Replies to questionnaire No. III (b) received from the Government of Bengal, dated 5th December 1923.

With reference to your letter No. 353, dated the 3rd October 1923, I am directed to furnish the following information in respect of the three points noted in paragraph 2 of your letter:—

(*a*) The average annual consumption of steel in this Department for the last three years may roughly be taken as 400 tons but this includes Tata steel as well as imported sections.

(*b*) As far as can be predicted the above figure may be taken as an approximate estimate of annual average requirements for the next 5 years.

(*c*) No answer is possible as it is not known how much of the requirements will be imported and how much will be obtained from Tata.

2. Referring to the latter portion of paragraph 2, I am to say that this Government does not view with favour the suggestion to raise the import duty based, as the proposal is, on a request from a private firm presumably in order to swell its own profits, for it does not appear that the necessity for protection by the impost of an enhanced import duty has been proved.

No. 36.

Letter, dated 20th November 1923, from the Government of the United Provinces, forwarding replies to questionnaire No. III (a).

With reference to your letter No. 326, dated September 27th, 1923, asking for a note by the provincial Director of Industries on a questionnaire relating to the use of steel articles in villages and small towns of the United Provinces, I am directed to forward a copy of the note which the Director has prepared in response to your request. It is regretted that there has been a few days' delay in forwarding this note.

2. Owing to the shortness of the time allowed for consideration of the Board's questionnaire, the Governor, acting with his Ministers, does not desire himself to offer any opinion on the points discussed in it.

Note.

1. A list is herewith attached of articles made of steel which are manufactured in India.

2. *Vide* columns 2, 3 and 4 of the attached list.

3. *Vide* columns 5 and 6 of the attached list.

4. The increase in the duty on imported steel would appreciably but not materially affect the price which the cultivator or the resident in small towns

has to pay for the articles made from steel. The largest increase will probably take place in the price of buckets (balties) and trunks, but even in the case of these articles the increase in price resulting from increase of duty will not cause any real hardship to the consumer.

Illustration.—A steel trunk 27 inches in length which is made of about Rs. 4 worth of steel and at present sold at Rs. 7-10 will in case of increase of duty, be sold at Rs. 8-7 if the increase in the price is proportionate to the increase in the price of imported steel. But it is probable that the increase in the price of the finished article will not be quite proportionate to the increase in the price of the raw material. The increase would be almost negligible in the case of such articles as cutlery because the cost of the raw material in such articles is a small proportion of the total cost of production.

Illustration.—The following are roughly the various items in the cost of making a dozen scissors:—

	Rs.	*a.*	*p.*
Price of $2\frac{1}{2}$ seers steel	1	0	0
Cost of cutting steel into crude parts	1	4	0
Coal	1	0	0
Blower's wages	0	2	0
Hammering	0	6	0
Filing	0	12	0
Hole making	0	2	0
Tempering	0	3	0
Grinding and emmering	1	0	0
Polishing, etc.	0	7	6
Nailing	0	4	0
Sharpening	0	12	0
Establishment charges, etc.	0	8	0
Total cost price	7	12	6
Present selling price	9	0	0
Selling price in case of increased duty at 33 per cent.	9	5	4

5. The important minor industries of the province for which steel is a principle raw material are those for the manufacture of:—

Trunk, Cutlery (knives and scissors), Nutcrackers, Locks, Pitchers made of Iron (gagras), Buckets (balties), Sugar and Oil Presses (kollhus), Pans.

6. The price of articles manufactured in the province as shown in the list in answer to Question 5 would rise. But the rise in no case would go beyond 10 per cent. at the very outside.

WAJID HUSAIN,

Director of Industries, United Provinces.

12th November, 1923.

L'ST.

Names of articles.	In this list A=Imported; B=Manufactured locally; C=Partly manufactured locally and partly imported.	To what extent imported.	To what extent manufactured in India.	To what extent are articles made from steel bars when they are locally manufactured.	To what extent are articles made from steel scrap when they are locally manufactured.
1	2	3	4	5	6
		Per cent.	Per cent.	Per cent.	Per cent.
I.—Agricultural Implements					
Plough blades (phar) . .	B	1	99	75	25
Oil and sugarcane presses (kolhus).	C	5	95	50	50
Spades (Phawra) . . .	B	..	100	75	25
Hoes (kudal) . . .	B	..	100	75	25
Weeding knives (khurpi) .	B	..	100	10	90
Choppers (gadansi) . .	B	..	100	..	100
Sickles (hansia) . . .	B	..	100	..	100
Buckets for irrigation (dol) .	B	..	100	100	..
Hatchets (Kulhari) . .	B	..	100	..	100
II.—Carpenter's Tools.					
Chisels (chheni) . . .	C	50	50	..	100
Hand-saws (ara) . . .	A	100	..	..	..
Hatchets for cutting wood (bansula).	C	40	60	..	100
III.—Mason's Tools.					
Trowels (kunni) . . .	B	..	100	..	100
Hatchets for cutting bricks (bansuli).	B	..	100	..	100
IV.—Barber's Tools.					
Razors (astura) . . .	C	25	75	..	100
Scissors (kainchi) . . .	C	25	75	..	100
Nail cutters (Nahanni or Nakhungeer).	C	..	100	..	100
V.—Blacksmiths' Tools.					
Hammers (hathawara) . .	C	50	50	..	100
Pliers (sansi) . . .	C	..	100	100	..
Files (raitee) . . .	C	95	5	..	100
Screw Drivers (pechkas) .	C	75	25	..	100
Anvil	C	25	75	..	100

Names of articles.	In this list A=Imported; B=Manufactured locally; C=Partly manufactured locally and partly imported.	To what extent imported.	To what extent manufactured in India.	To what extent are articles made from steel bars when they are locally manufactured.	To what extent are articles made from steel scrap when they are locally manufactured.
1	2	3	4	5	6
		Per cent.	Per cent.	Per cent.	Per cent.
VI.—Household Requisites.					
Nut crackers (sarawta) . .	B	..	100	..	100
Frying pans (karahi) . .	B	..	100	100	..
Baking pans (tawa) . .	B	..	100	100	..
Ladles (karchha) . . .	B	..	100	100	..
Tongs (chimta) . . .	B	..	100	100	..
Knives and Scissors . .	C	25	75	50	50
Needles	A	100	..	..	..
Locks	C	20	80	50	50
Iron pitchers (gagras) . .	B	..	100	100	..
Stoves (angetis) . . .	B	..	100	90	10
Trunks	B	..	100	100	..
Buckets for domestic purposes (balties).	B	..	100	100	..
VII.—Materials for Buildings and Furniture.					
Nails	C	50	50	..	100
Chains for doors . . .	B	..	100	..	100
Holdfasts	C	50	50	100	..
Iron catch for Chains (kundhis)	C	..	100	50	50
Hinges (kabza) . . .	C	75	25	100	..
VIII.—Miscellaneous.					
Large pans for manufacturing crude sugar (karha).	B	..	100	100	..
Tyres	B	..	100	100	..
Axles	B	75	25	100	..
Iron shoes for animals (nal) .	B	10	90	10	90

No. 36(a).

Replies to questionnaire No. III (b) received from the Government of the United Provinces, dated 11th December 1923.

With reference to your letter No. 353, dated the 3rd October 1923, in connection with the proposal that the customs duties on all imported stores should actually be paid by all purchasing Departments of Government, I am directed to furnish the following informations asked for:—

(a) Average quantity of steel, fabricated and unfabricated, used annually by the Public Works Department, Irrigation Branch, during the last 3 years was 1,677 tons.

(b) An approximate estimate of the average annual requirements for the next 5 years is 2,223 tons.

(c) Tatas Iron and Steel Company will undoubtedly put their prices upto the imported price (that is the object of the protection) so that the increase to the Irrigation Branch will be 23⅓ per cent. on all goods purchased in India and 33⅓ per cent. on orders imported as Government property. This increase would hit the Irrigation Branch, a semi-commercial department, very badly. It will enhance the cost of the irrigation works and assuming that water rates are fixed so as to give a return on capital it will mean that for all time the cultivator will pay more for water.

The proposed change is so heavy that it will in many localities result in the substitution of wood for steel, as being cheaper.

Further replies to questionnaire No. III (b) received from the Government of the United Provinces, dated 24th December 1923.

I am directed to acknowledge the receipt of your letter No. 353, dated the 3rd October 1923, and to communicate the information asked for as detailed below:—

(a) What was the average quantity of steel, whether fabricated or unfabricated, used annually by the Public Works Department during the last three years?	500 tons approximately
(b) Can the quantity be taken as an approximate estimate of their average annual requirements for the next five years?	450 tons approximately
(c) To what extent would the cost of the steel used by the local Government be increased if the import duty on steel were raised from 10 per cent. to 33⅓ per cent. as proposed by the Tata Iron and Steel Company; and duty were payable on Government importations.	Rs. 27,000 in all.

It will be understood that the actual consumption depends entirely on the amount of funds available for expenditure during each year.

2. I am also to enclose a minute containing the personal opinion of the Hon'ble Minister on the subject.

3. The delay in replying is regretted.

Personal opinion of the Hon'ble Minister (United Provinces).

I am a follower of Mr. Baldwin and believe in protection. I see no harm if the duties are raised from 10 per cent. to a higher pitch, although 33⅓ per cent. I regard as a bit too high.

AHMED SAID KHAN.

15th December 1923.

No. 37.

Letter, dated 17th November 1923, from the Government of Burma, forwarding replies to questionnaire No. III (a).

In reply to your letter No. 326, dated the 27th September 1923, to the address of the Chief Secretary to the Government of Burma on the subject noted above, I am directed to forward for your information a copy of letter No. 375-7—I-115, dated the 13th November 1923 and of its enclosure from the Development Commissioner, Burma, furnishing the information on the six points contained in the questionnaire attached to your letter, and to say that the Government of Burma (Ministry of Industries) concurs with the views expressed by the Development Commissioner in the matter.

From Maung Saw Hla Prue, B.A., B.L., A.T.M., Officiating Secretary to the Development Commissioner, Burma, to the Secretary to the Government of Burma, Department of Agriculture, Excise and Forests, No. 375-7—I-115, dated the 13th November 1923.

Subject:—Steel. Manufacture, use, etc., etc. of —— in Burma.

With reference to your letter No. 1134M/X-23, dated the 16th October 1923, on the abovementioned subject, I am directed to forward herewith a note embodying the information on the six points contained in the questionnaire attached to letter No. 326, dated the 27th September 1923, from the Secretary, Tariff Board, Calcutta, regarding the manufacture, use, etc., of steel in the minor industries in Burma.

2. Burma is purely a consumer and a non-producer of iron-steel; what little manufacture of this article there is in the province is carried out by two or three great European firms, and then mainly for their own consumption. There is no iron ore of commercial value in sight. It is true, no doubt, that iron implements, from home ores, were in use before the opening up of communication with the outer world; but the superior quality and cheapness of the imported material has overwhelmed home ores. The Development Commissioner is therefore inclined to think that the proposal to impose a high import is detrimental to the interests of the people. A duty of 33⅓ per cent. would be equivalent to imposing on cultivators and residents in small towns, additional taxation to the tune of at the very least five lakhs, for the benefit of people who have no claim whatever on Burma, and probably do not possess the capacity, even with the proposed bolstering to capture our market.

Manufacture, use, etc., of steel in Burma.

(1) Steel is used in the form of shafts and pulleys in all factories. Structural steel is used to a very limited extent and scarcely at all outside the larger towns. Saw and other steel cutting tools are used extensively in the saw milling industry. Steel enters into the construction of the machine tools used in most industries. *Dah* (combined chopper and knife) is the staple steel article. Plough shares are of cast iron which may, however, be mild steel. Cart wheels are of Belgian wrought iron.

(2) Shafts, pulleys, Saw steel cutting tools and machine tools are almost entirely imported. A small quantity of the other articles mentioned in (1) is imported from the west but the overwhelming majority are made in Burma.

(3) The overwhelming majority of articles used in villages and small towns is made of steel bars, or iron bars or the mild steel bars we call iron, all imported from the west.

(4) The percentage of increased expenditure to the ordinary cultivator or to the resident in a small town would be small as steel articles he requires

are few and last long. But whatever the cost, the duty would increase it precisely *pro tanto*, for the great majority of the articles are made from imported bars at mofussil smithies.

(5) Blacksmiths only, the engineering and shipbuilding works being excluded from consideration.

(6) Of course every artisan needs a knife or probe, many of these knives are specialised and some are quite tiny. But they are mostly made from imported bars at mofussil smithies. German and Japanese penknives do not seem to be common outside the towns. The chances are therefore that these smithies would go on in the same way as before, inspite of the increased duty.

Setting aside the Burma Railways, the Irrawaddy Flotilla Company annually send into the interior, exclusive of the Delta, 1,500 tons of steel iron such as is used in villages. Messrs. Chas. Rowie's alone send 200 tons bar steel to each of such places as Pakokku, Myingyan, Hsipaw, bar iron is in addition. Such centres distribute it to the village smithies. The greatest centre in Upper Burma, Mandalay, takes 700 tons of bar steel from Cowie's, and further quantities from Indian importers. Even Indian importers do not import from India, and all but a small fraction of our imports, raw or finished whether for the mofussil or not, come from the West—Belgium, United Kingdom, United States of America, Germany, Norway. I append some figures showing the amount imported of a type suitable for mofussil consumption.

Sea imports into Rangoon.

Class.	Quantity (tons).			Value (Rs thousand).		
	1919-20.	1920-21.	1921-22.	1919-20.	1920-21.	1921-22.
Iron bar and Channel . .	1,458	4,523	2,306	477	1,323	376
Iron or steel . . .	..	..	..	..	..	..
Hoops and Strips . .	578	821	531	249	344	147
Steel bars	2,435	5,467	3,977	868	184	675
Cast steel bars . . .	..	37	5	..	23	3
Total .	4,471	10,848	6,819	1,594	1,874	1,201
Annual average .	Seven thousand tons			Fifteen and half lakhs		

Overland Imports are all from Western Yunnan and average annually 3,000 tons worth one lakh.

The gross annual total is thus 10,000 tons worth Rs. 16,50,000.

No. 37(a).

Replies to questionnaire No. III (b) received from the Government of Burma, dated 13th November 1923.

In reply to your letter No. 353, dated the 3rd of October 1923, I am directed to state that, during the last three years the Burma Government has used approximately five hundred tons of steel work per annum and that a like amount will probably be required annually for the next five years.

2. Were the import duty on steel to be paid by Government the cost of imported steel used by the Local Government would be increased by the amount of such import duty.

3. In cases of local purchases of steel work manufactured ex-India, or manufactured in India from imported steels, the increase in cost due to an enhancement of the import duty from 10 per cent. to 33⅓ per cent. would amount to the actual increase in the import duty *plus* the additional profit which importers would expect to receive owing to their extra outlay on import duties.

4. Rail and steamer freights on Indian manufactures of steel used in Burma amount to 25 per cent. to 30 per cent. of the value of the steel ex-manufactory and the result is that it is ordinarily cheaper to import direct from Europe. Increased duties on imported articles will result in increased prices for Indian steel work. This will mean a decrease in stocks held by merchants owing to the extra capital required per ton of stock held and such decrease will adversely affect all works such as steel bridges and steel frame buildings.

5. His Excellency in Council would, however, point out that the levy of Customs duty on steel imported by Provincial Governments would involve the surrender of the whole principle of the exemption of imported goods belonging to Government from payment of Customs duty which they have enjoyed since 1878. The consequence would be that Provincial Revenues would be called upon to pay a new form of Contribution to Central Revenues which was not contemplated at the time the last financial settlement was made. His Excellency in Council could not, therefore, in any event, accept the proposal that Customs duties on all stores imported on behalf of Government should actually be paid by the purchasing Departments without a re-adjustment of the financial settlement to counteract the adverse consequential effects upon Provincial Revenues.

No. 38.

Replies from the Collectors of Customs, Bombay and Calcutta, to questionnaire issued to them.

Letter from the Collector of Customs, Bombay, to the Tariff Board, S. R. No. 5369, dated the 12th December 1923.

I have the honour to refer to the informal discussion which I had with the Tariff Board on 30th November 1923 and to ask you to communicate to the Board the following remarks on the note then debated:—

***Question 1.*—Would it be possible by enquiries *in India* to ascertain with reasonable accuracy and reasonable promptitude the price at which steel**

was actually being imported or would enquiries in foreign countries also be necessary?

Answer.—It would be possible to ascertain in India with reasonable accuracy and promptitude the c.i.f. price at which steel was actually being imported into India, and enquiries in foreign countries would not be essential. When goods are being passed through the Customs, invoices are almost invariably demanded, even if assessment be at a specific rate or on a tariff valuation, in order that quantities can be more easily checked, and classifications verified. Section 29, Sea Customs Act, gives us power to insist on the production not only of invoices but of any other documents or information wherewith to check declarations. The submission of false invoices and documentary evidence in support thereof is of course quite possible in individual cases. For example, a consignment might be invoiced at a price exceeding the true price and be supported by a bank draft for a corresponding total value; and thereafter the consignor might allow a rebate to the consignee by a direct remittance or by an adjustment of accounts over a given period. Collusion of this kind would, if skilfully done, be almost impossible to detect, but it is difficult to believe that it would be extensively practised. If it were not, a skilful and attentive appraising staff would have a fair chance of detecting over declarations of value by comparison with correct valuations for similar goods.

Question 2.—In the absence of British official agency in foreign countries, would there be any objection to the Customs authorities accepting quotations for foreign goods in the usual Trade Journals such as the Iron and Coal Journal, the Iron Monger, etc.?

Answer.—Quotations in recognized Trade Journals will help the appraisers to keep in touch with the course of prices, but would not often enable them to challenge the values declared for particular consignments, as the importer could plead special circumstances such as forward contracts, etc.

Question 3.—What reliance can be placed on the declared values of imported steel as given to the Customs authorities at present? Is it often found that they are inaccurate and require to be corrected?

Answer.—At present we can rely on the values for steel declared by importers, as a very large proportion of the steel imported is assessed on tariff valuations. Hence the importers have no inducement whatsoever to misdeclare the real value of their consignments.

Question 4.—Do the Customs authorities insist on the production of invoices at present even when the duty is assessed on a tariff valuation? Are such invoices when called for found to be reasonably accurate? Would the compulsory production of invoices in the case of protected articles (*e.g.*, steel) lead to undue interference with business?

Answer.—This has already been answered in (1) above.

Question 5.—Is it advisable that the production of invoices both in sterling and in foreign currencies should be insisted on when the imported goods originate elsewhere than in the United Kingdom?

Answer.—In point of fact goods from countries other than the United Kingdom are already invoiced in sterling more often than not, especially now that European currencies are so unstable. Even if the contract be in a foreign currency, payment is normally effected through an Exchange bank on a sterling basis. With exchanges fluctuating as at present I do not see how the production of invoices in two currencies would help us. What we want and demand is one authentic invoice which if necessary we can check against the bank draft, the indent or contract, the insurance policy, etc.

Question 6.—If the proposed scheme were introduced—it is to be remembered that the primary duty would be specific and not *ad valorem*—would there be a danger that the prices of imported steel would be overdeclared, and would such overvaluations be easy or difficult to detect?

Answer.—If the proposed scheme were introduced and there were a specific primary duty, the only object of overdeclaring values of particular consignments would be to create the general impression that the cost of imported steel was higher than it really was, and thus to pave the way for a reduction of the primary duty or to prevent the imposition of an off-setting duty. The benefit anticipated from such a course would probably be too remote to induce importers to enter into a general conspiracy to overdeclare, but the tendency to overdeclare would doubtless remain. Our safeguard would lie in the probability that most importers would make honest declarations whereby we could check less honest declarations as indicated in my answer to question (1).

Question 7.—Would it be possible to devise machinery in the Customs Department by which records would be kept of the declared values of imported steel so that a constant watch could be kept of the movements of prices?

Answer.—At the cost of some increase in staff records would be kept in each major Custom House of declared and accepted values of steel in the same way as records of market values for tariffed articles are kept at present.

Question 8.—What should be the enquiring agency on whose report the Government of India would act? The sole duty of that agency would be to determine whether steel was entering India below the basic price and if so at what price. It would be a pure question of fact.

Answer.—The figures so collected would have to be submitted, presumably in the form of monthly averages for specified classes of goods, to a central collating authority, such as the Director General of Commercial Intelligence (to whom average market values of tariffed articles are at present submitted), the Board of Central Revenue, or the Tariff Board itself. The selected authority would then merely have to compare the average value for the whole of India with the basic price.

Question 9.—Would it be necessary or desirable that the enquiring agency should be vested with statutory powers to compel the production of documents and to take evidence on oath.

Answer.—Assuming that the agency which collects information in the first place will be the Customs, as proposed, that agency already possesses statutory powers to demand documents under Section 29, Sea Customs Act. Refusal or neglect to produce documents is punishable by a Magistrate under Section 167 (72). It would possibly be advantageous if Customs Collectors were authorized in law to administer an oath if and when deemed necessary for special purposes, as the risk of a prosecution for perjury might prove a deterrent; on the other hand it is very difficult to prove perjury, and we probably have sufficient powers of penalizing misdeclarations without recourse to a Court of law under the Sea Customs Act as it stands. What we do require is power to demand documents not only at the time of importation or exportation, but also during a period of 3 or 6 months thereafter. I believe that the U. K. Customs possess this power already, and proposals have been made to the Government of India that the Sea Customs Act should be suitably amended.

Question 10.—Under the present tariff the duties fixed on a tariff valuation are in effect specific duties for the period during which the valuation is in force? What is the procedure for ascertaining the proper valuation and has it been found satisfactory?

Answer.—Tariff valuations are meant to represent wholesale market values less duty. Each major Custom House ascertains the prices ruling for each tariffed article and forwards them monthly to the Director General of Commercial Intelligence. Once a year Collectors make their recommendations to the Director General of Commercial Intelligence, which are first considered at an Appraisers' Conference at Calcutta under the presidency of the Director General. A provisional schedule is drawn up at this conference which is

sent to Collectors and Commercial bodies for criticism, and eventually the Director General submits definite proposals to the Government of India, who notify the new schedule shortly before it takes effect at the beginning of each calendar year. The valuations are mainly based on the past year's average market values, qualified in some degree by the prospects of trade in the ensuing year. The one exception is sugar, which at the request of the trade is valued solely on the past years' average market values. The procedure has been found satisfactory.

Question 11.—If the Customs authorities had reason to believe that large consignments of steel were being imported at a price substantially below the normal price, is it desirable that they should have power to detain such consignments pending an enquiry to be made under the directions of the Government of India. If so, would it entail serious inconvenience in the course of business? Could the difficulty be obviated by allowing the importer to remove the goods on executing a security bond to pay such additional duty as might be imposed after enquiry by the Government of India?

Answer.—It is certainly undesirable that Customs authorities should have power to detain consignments of steel. Physically such a course would be impossible, as the docks would be congested and heavy demurrage would become payable by importers. It would also entail serious inconvenience in the course of business if clearance were permitted on the execution of a security bond. Apart from the extra work resulting from the execution of bonds both to the public and to the Customs, such a course prevents any finality in business dealings. Under the Indian Tariff any new or enhanced duty can be added to a contract price (*vide* Section 10), but a contingent liability is a difficult thing to pass on. If the actual importer does pass it on, and is eventually not called on to pay it, with the best will in the world he can not arrange for a refund to the first purchaser to be passed on to subsequent purchasers. The actual importer, in fact, will be seriously hampered in quoting prices by the fact that the customs duty payable has not been finally determined. In my opinion the best course to pursue will be for the additional or off-setting duty to take effect after an enquiry which should be limited to one month; price figures will be available at very short notice if the procedure suggested in my answers to questions (7) and (8) is adopted, and a delay of one month could do little harm to the Indian steel industry as large consignments of cheap steel could not be imported at such short notice. If, however, it be considered essential that even this much delay should be avoided, the addition or off-setting duty might take provisional effect from the date of a Government of India notification directing an enquiry, the enabling legislation being on the lines of the Provisional Collection of Taxes Act. It must however be remembered that provisional collection of duties entails a large volume of refund, account and audit work in the Custom Houses if the provisional taxes be not confirmed or be in any way varied before confirmation.

Question 12.—Would there be a serious danger of over-valuation for Customs purposes if the scheme were adopted?

Answer.—There would undoubtedly be a very great danger of over-valuation if this plan were adopted, because such over-valuation, if accepted, would be of immediate pecuniary advantage to every individual exporter. In other words the temptation would be immediate and constant in contrast to the indirect temptation mentioned in my answer to question (6).

Question 13.—If over-valuations were numerous would they be easily detected by the Customs authorities?

Answer.—The temptation to over-value being so much stronger and widespread the greatest ingenuity would be exercised to avoid detection. Consequently over-valuations would be very difficult to detect, the more so as the safeguard mentioned at the end of my answer to question (6) would *ex hypothesi* disappear or at least be greatly diminished.

Question 14.—Would the necessity of carefully valuing each consignment of steel be a serious addition to the burdens of Customs officers and would it be likely to entail the employment of a larger staff?

Answer.—The necessity of carefully valuing each consignment of steel would be a serious and an unfair addition to the burdens of Customs officers. I do not wish for a moment to reflect on the honesty of my officers, but should be lacking in my duty if I did not point out that when importers have great incentives to misdeclare and receive great rewards for successful misdeclaration, equally great temptations are put before the Customs officers who have to check declarations. Even a considerable addition to the gazetted staff of the Customs Houses as well as to the non-gazetted appraising staff would hardly reconcile me to the obvious dangers of the proposal.

Question 15.—The object in view being protection and not revenue is it desirable that the duties should be specific or *ad valorem* or by means of a tariff valuation. The objection to the *ad valorem* duty is that the duty is lowest when protection is most needed and highest when it is least needed.

Answer.—For protective purposes specific duties are obviously desirable when practicable.

Question 16.—The present tariff duties are partly *ad valorem* and partly on a tariff valuation. Would the Customs authorities welcome the extension of specific or tariff valuation duties to those steel products which are at present assessed *ad valorem?* Would there be serious difficulty in adopting this course in the case of products which though classified under one head differ widely in value? Are there many such products?

Answer.—The Customs authorities would welcome the extension of specific duties or assessment on tariff valuations in the case of steel products at present assessed *ad valorem,* so far as this is practicable. It must however be remembered that the tariff valuation schedule as it stands has aimed at the maximum extension of the tariff valuation system in the case of steel, and a great proportion of the steel imported is already assessed under that system. In my opinion the only method whereby this system could be further expanded, or specific duties imposed, would be to amplify the number of heads, classing together goods which do not differ too widely in value. For example, plain pipes and tubes (excluding fittings) and various types of beams, girders, etc., might possibly be capable of further classification, and might then be assessable on tariff valuations or at specific rates. Fabricated steel, on the other hand, would probably defeat all efforts at classification.

Question 17.—What exactly are the difficulties anticipated in discriminating between wrought iron and steel?

Answer.—Hitherto this Custom House has not been able to obtain an expert opinion in border line cases. The difficulty will partly disappear if and when we can obtain a definite opinion from an expert at short notice. If we cannot obtain a test report within a few days, the importer will be handicapped by not knowing definitely the duty payable and will not be able to quote firm prices to purchasers.

No. 39.

Memorandum from the Collector of Customs, Calcutta, to the Secretary Tariff Board, No. 13594, dated the 14th December 1923.

Replies to questions asked by the Tariff Board.

Question 1.—Would it be possible by enquiries *in India* to ascertain with reasonable accuracy and reasonable promptitude the price at which steel was

actually being imported or would enquiries in foreign countries also be necessary?

Question 2.—In the absence of British official agency in foreign countries, would there be any objection to the Customs authorities accepting quotations for foreign goods in the usual Trade Journals such as the Iron and Coal Journal, the Iron Monger, etc.?

Answer.—The invoices presented at the Custom House for each consignment show the price at which steel is actually being imported: the price shown in such invoices includes, of course, all extras in regard to size, finish and strength (as evidenced by the tests to which the steel has been subjected), which would not be necessary for the purpose of the Board, if, as is understood, the proposed Tariff would not differentiate between steel products varying in these particulars. The simplest method of arriving at variations of price of steel products generally would be to watch variations in the basis price of steel as quoted in Trade Journals, such as the Ironmonger, etc. It is true that other factors might temporarily affect prices but on the whole the basis price would provide the safest guide.

It would, however, be possible to compile statistics from the invoices presented, but in order to eliminate "Extras" as far as possible, it would be necessary to lay down the types of goods for which such statistics should be kept, *i.e.*, those goods, the price of which is to form the basis of the specific duty proposed. This would enable the Custom House officials to concentrate on certain articles and to base their price reports on essentials.

Question 3.—What reliance can be placed on the declared values of imported steel as given to the Customs authorities at present? Is it often found that they are inaccurate and require to be corrected?

Answer.—It is not found in practice that such invoices are unreliable, but for the majority of steel imports, tariff valuations have been fixed and in consequence the invoice values are not required. In this connection the reply to question (5) may be read: the value of such London invoices is at times enhanced in order to obscure the quality to local purchasers in India.

Question 4.—Do the Customs authorities insist on the production of invoices at present even when the duty is assessed on a tariff valuation? Are such invoices when called for found to be reasonably accurate? Would the compulsory production of invoices in the case of protected articles (*e. g.*, steel) lead to undue interference with business?

Answer.—Invoices are required at present and are reasonably accurate: no additional interference with business would be imposed.

Question 5.—Is it advisable that the production of invoices both in sterling and in foreign currencies should be insisted on when the imported goods originate elsewhere than in the United Kingdom?

Answer.—Most continental invoices are at present in sterling, but frequently continental manufacturers' invoices are not obtainable, *e.g.*, where continental steel is shipped *viâ* London and the London branch of the Indian Importing firm invoice the goods. It would be necessary to insist on manufacturers' invoices in every case.

Question 6.—If the proposed scheme were introduced—it is to be remembered that the primary duty would be specific and not *ad valorem*—would there be a danger that the prices of imported steel would be overdeclared, and would such over-valuations be easy or difficult to detect?

Answer.—There would be some danger of such over-valuation but with the basis prices of steel products as quoted in the Trade Journals, as a guide, it should be possible to detect them in the long run.

Question 7.—Would it be possible to devise machinery in the Customs Department by which records would be kept of the declared values of imported steel so that a constant watch could be kept of the movements of prices?

Answer.—It would be possible to keep a record of invoices: to do this properly it would be necessary to have a specialist in the steel trade as it would be of little value merely to record prices without ascertaining and noting at the time reasons for variations in the price of certain consignments: it would need a specialist to detect such variations and to conduct the necessary enquiries: in Calcutta, I am of opinion that a whole time man would be needed to cope with this work.

Question 8.—What should be the enquiring agency on whose report the Government of India would act? The sole duty of that agency would be to determine whether steel was entering India below the basic and if so at what price. It would be a pure question of fact.

Question 9.—Would it be necessary or desirable that the enquiring agency should be vested with statutory powers to compel the production of documents and to take evidence on oath.

Answer.—Periodical reports of prices as ascertained from importations should be submitted by Collectors of Customs to some Central authority—the Central Board of Revenue or the Director General of Commercial Intelligence: this authority should report to the Government of India when he considered that the change in price necessitated a change in duty, and suggest a new rate on the basis of the prices reported to him. The new rate could then be published by the Government of India and were it higher than the old rate, a period could be fixed within which the Trade could lay objections before the Central authority. An enquiry into these objections might be held either by the Central authority or, if time and space presented this, by Collectors of Customs. As such objections would constitute in reality a challenge to the prices reported by the Customs Houses, it would be necessary to give the enquiring Agency (either the Central authority or the Collector of Customs) power to call for the invoices on which the reports were based and to take evidence on oath. Section 29 of the Sea Customs Act only authorizes the Collector to call for invoices, etc., at the time of importation and not afterwards: it further only considers documents in the possession of the Importer or Owner: it would be advisable to specify the original manufacturers' invoice.

Question 10.—Under the present tariff the duties fixed on a tariff valuation are in effect specific duties for the period during which the valuation is in force? What is the procedure for ascertaining the proper valuation and has it been found satisfactory?

Answer.—Tariff valuations are based on market values in India (less duty) during the preceding year, but consideration is given to the *tendency* of the trade at the close of the year. They are subjected to discussion by the Chambers of Commerce before being finally fixed: speaking generally, the procedure has been satisfactory.

Question 11.—If the Customs authorities had reason to believe that large consignments of steel were being imported at a price substantially below the normal price, is it desirable that they should have power to detain such consignments pending an enquiry to be made under the directions of the Government of India? If so, would it entail serious inconvenience in the course of business? Could the difficulty be obviated by allowing the importer to remove the goods on executing a security bond to pay such additional duty as might be imposed after enquiry by the Government of India?

Answer.—It is not desirable to detain large consignments unless absolutely necessary as apart from the inconvenience entailed to the Importer, such a practice might lead to serious congestion at Docks and Jetties. Consequently, such a step should be avoided if possible. Under the law as it stands at present if a consignment is wrongly declared in respect of quantity, description of value (quite apart from the question of the duty at the time being on the actual consignment) the Importer is liable to be penalised and to have his goods confiscated. Pending such proceedings the goods can

be detained. Such steps are not ordinarily taken now unless actual duty is involved, and as a rule, only small penalties are imposed where statistical accuracy alone is at stake. Under the proposed scheme it would be necessary that we should be satisfied that the invoice value of consignments, which might form the basis of a future change in duty, should be correct. Ordinarily detention of a sample alone would suffice for the purpose of the enquiry, but it might be necessary to detain more than a sample in order to cover any possible penalty that might be imposed for misstatement of value.

It would not be necessary to detain consignments pending an enquiry ordered by the Government of India, *i.e.*, when Government decides that an enquiry is necessary and proposes to give retrospective effect to any additional duty that may be imposed as a result of such enquiry. The security bond system would meet such a case: further, if the procedure sketched in my reply to questions (8) and (9) were adopted, such additional rate could be levied provisionally pending the result of any objections raised by the Trade.

Question 12.—Would there be a serious danger of over-valuation for Customs purposes if the schemes were adopted?

Question 13.—If over-valutions were numerous would they be easily detected by the Customs authorities?

Question 14.—Would the necessity of carefully valuing each consignment of steel be a serious addition to the burdens of Customs officers and would it be likely to entail the employment of a larger staff?

Answer.—This scheme would be decidedly dangerous and would place a premium on collusion between importers and Customs subordinate officials. The value of each consignment would need very special attention requiring a largely increased staff and causing a very considerable amount of detention to consignments: the majority would probably have to be passed on the security bond system, which would again entail extra work and additional clerical staff.

Question 15.—The object in view being protection and not revenue is it desirable that the duties should be specific or *ad valorem* or by means of a tariff valuation. The objection to the *ad valorem* duty is that the duty is lowest when protection is most needed and highest when it is least needed.

Answer.—From the administrative point of view there is little to choose between a specific duty and a tariff valuation. Either is infinitely preferable to an *ad valorem* duty, which entails, though in a minor degree, the disadvantages of the system proposed in paragraph 5.

Question 16.—The present tariff duties are partly *ad valorem* and partly on a tariff valuation. Would the Customs authorities welcome the extension of specific or tariff valuation duties to those steel products which are at present assessed *ad valorem?* Would there be serious difficulty in adopting this course in the case of products which though classified under one head differ widely in value? Are there many such products?

Answer.—The present tariff includes under one valuation products which differ widely in value. It would be scarcely feasible to extend the tariff valuation system to fabricated product of the steel products now assessed *ad valorem*, rails and unfabricated joists alone lend themselves readily to such extension.

Question 17.—What exactly are the difficulties anticipated in discriminating between wrought iron and steel?

Answer.—The present tariff does discriminate between iron and steel: the difference in tariff valuations is not great and there is not much temptation to importers to make wrong declarations in this respect. Were a heavy specific duty imposed on steel and were iron products left as they are, such temptation might prove a real source of danger and we should probably find considerable difficulty in distinguishing between the two: we have no means of fracturing samples or of subjecting them to metallurgical tests on the spot: such tests could be carried out by sending samples to

a test house, but it would be difficult to avoid detaining the consignment pending the result of the test, in order to cover the penalty leviable or to enable the Collector to confiscate the goods which might be necessary in a case, where a large amount of duty was involved. In the case contemplated here duty would be directly involved: in the answer to question 11, this would not be the case.

Differentiation between products of various countries.

This would present great difficulties: cases occur now where manufacturers' invoices are not produced: power could be given to insist on their production, but cases might arise where they could not be produced, *e.g.*, the goods might be dumped in an intermediate country and purchased from there. Further, continental steel may be subjected to a final process of manufacture in the United Kingdom.

Replies by Railway Companies to Questionnaires issued to them.

No. 40.

Replies to questionnaire No. II (a) received from Assam Bengal Railway Co., Ld., dated 2nd November 1923.

With reference to your letter No. 271, dated the 19th September 1923, I have the honor to reply as below:—

(a) The weight of steel castings imported by this Railway during the last two years was Tons 14-15-0-0 and the cost was Rs. 58,551-11-0.

(b) For rolling stock.

(c) Tons 381-10-0-0 separate cost not ascertainable.

(d) There will be only about 30 tons under "C" above during the next five years.

Paragraph 2.—We do not make steel castings.

Paragraph 3.—Approximately 90 tons of steel scrap of all descriptions including mild steel.

Replies to questionnaire No. II (b) received from Assam Bengal Railway Co. Ld., dated 5th November 1923.

With reference to your letter No. 272, dated the 19th September 1923, I have the honour to answer as below the question asked by your Board:-

(1) The approximate value at present rates for requirements of steel of all kinds for the next five years is Rs. 2,30,000 per year.

(2) The increase in Capital and Revenue Expenditure would amount roughly to Rs. 53,000 per year.

(3) If Rolling Stock is to be considered as structural steel, the further expenditure incurred would amount to about Rs. 2,30,000 per year.

(4) Any increase in cost of materials must affect general working costs and must have a retarding effect on rate reductions.

(5) The increased price of steel resulting from the imposition of a duty of 33⅓ per cent. would undoubtedly tend to retard Construction of Railways.

(6) It is most desirable from the Railway point of view that the steel industry should be established in India on a firm basis.

(7) I do not agree with a protection duty of 33⅓ per cent. but if it is assumed that some protection is necessary it is suggested that protection should be afforded in the form of a subsidy for a fixed period of years after which the position should again be reviewed. The payment of any such subsidy would necessitate the keeping of Manufacture Accounts in such a manner that production costs could be accurately estimated.

Replies to questionnaire No. II (c) received from Assam Bengal Railway Co. Ld., dated 5th November 1923.

In reply to your letter No. 313, dated 25th September 1923, I beg to answer the questionnaire enclosed with your letter as under:—

(1) Total vehicles 5364—Main types:—

(i) Covered goods wagons, 4-wheeled	4,185
(ii) Covered goods wagons, bogie	100
(iii) Open high-sided wagons, bogie	55
(iv) Timber or rail wagons, bogie	129
(v) Ballast wagons, hopper, 4-wheeled	170
(vi) Oil tank wagons, bogie	10
TOTAL	4,649

(2) Annual requirements for the next 5 years will be, approximately:—

(i) 100 Four-wheeled covered goods wagons.

(ii) 10 Timber or rail wagons, bogie, and about 50 re-builds in our Workshops. Others *nil*.

(3) We do not build wagons in our Shops.

(4) *Nil.*

(5) Cost of the main types of imported wagons—excluding wheels and axles:—(*a*) Cost of stock received in 1922-23, (*b*) Cost of stock received in 1923-24, (*c*) Probable average cost for 4 years 1924-25 to 1927-28.

		C. i. f. Indian Port, *plus* landing charge and duty.	ERECTION CHARGES. Labour.	ERECTION CHARGES. Stores.	*Total cost, finally erected and ready to run.
		Rs.	Rs.	Rs.	Rs.
(*i*) Iron covered goods wagon, 4-wheeled.	(*a*)	3,000	100	100	3,200
	(*b*)	2,500	100	100	2,700
	(*c*)	2,500	100	100	2,700
(*ii*) Iron covered goods wagon, bogie.	(*a*)	..	..	..	..
	(*b*)	5,000	200	200	5,400
	(*c*)	5,000	200	200	5,400
(*iii*) Steel high-sided wagon, bogie	(*a*)	..	..	..	..
	(*b*)	5,300	100	100	5,500
	(*c*)	5,300	100	100	5,500
(*iv*) Timber truck, bogie . .	(*a*)	5,600	300	100	6,000
	(*b*)	4,800	300	100	5,200
	(*c*)	4,800	300	100	5,200
(*v*) Ballast wagon (hopper) 4-wheeled.	(*a*)	..	..	..	..
	(*b*)	..	..	..	..
	(*c*)	2,300	100	..	2,400
(*vi*) Oil tank wagon, bogie (suitable for carrying petrol.. .	(*a*)	..	..	..	..
	(*b*)	..	..	..	..
	(*c*)	25,000	300	100	25,400

(6) Statement attached.

(7) Yes, we have adopted the alternative British Standard specification.

(8) On main principles "Yes" but only if the cost price is not thereby increased. The Railways have to be run on a business footing and purchase must be made ordinarily in the cheapest market. The higher all round quality

and standard of English workmanship also comes into consideration and might influence contracts being placed in England even if the Indian price was more favourable.

(9) No.

(10) This question has already been answered in reply to Question 7 in the questionnaire forwarded with your letter No. 272 of the 19th September 1923 and the answer is that, while a protest must be made against the idea of a high protective duty, yet, if some further protection higher than the existing 10 per cent. duty is necessary, it is suggested that protection should be afforded in the form of a subsidy for a fixed period of years after which the position should again be reviewed. The payment of any such subsidy would necessitate the keeping of manufacturing accounts in such a manner that production costs could be accurately estimated.

(11) An increase in the costs of materials obviously affects the costs of working. The increase in cost might not be sufficient to necessitate an immediate increase in rates and fares but undoubtedly it would influence transportation costs and might retard rate and fare reductions. An increase in the cost of materials would seriously affect railway constructions especially as at the present moment a return of 6 per cent. on capital is required by the Government of India.

ASSAM-BENGAL RAILWAY COMPANY, LIMITED.

(Incorporated in Great Britain.)

Statement showing main types of wagons and different class of materials used in their manufacture.

DESCRIPTION.	Total weight of wagon.	"B" class steel used in manufacture.	"D" class steel used in manufacture.	Steel castings.	Spring steel.	Steel plates and sheets.	Structural steel (angles and channels).	Wrought iron.	Iron castings.	REMARKS.
1	2	3	4	5	6	7	8	9	10	11
	T. C. qr.	T. C. qr.	T. C. qr.	T. C. qr.	T. C. qr.	T. C. qr.	T. C. qr.	T. C. qr.	T. C. qr.	
Iron covered goods wagon, 4-wheeled.	5 13 0	..	1 1 1	0 6 0	0 5 0	1 2 0	1 11 0	1 6 2	0 1 1	
Iron covered goods wagon, bogie.	10 12 0	..	2 2 2	0 8 3	0 6 3½	2 5 0	2 0 0	3 6 3½	0 2 0	
Steel high-sided wagon, bogie	9 4 0	..	2 2 2	0 8 3	0 6 3½	1 18 0	1 5 0	3 0 3½	0 2 0	
Timber truck, bogie	11 10 0	..	2 2 2	0 8 1	0 6 3½	2 12 0	3 5 0	2 14 3½	0 0 2	
Ballast wagon (hopper) 4-wheeled	4 0 0	..	1 1 1	0 6 0	0 4 2	1 2 0	0 17 0	0 9 0	0 0 1	
Oil tank wagon, bogie (suitable for carrying petrol).	17 4 0	..	2 2 2	0 8 0	0 7 3½	5 15 0	2 18 0	5 10 2½	0 2 0	

No. 41.

Replies to questionnaire No. II (a) received from South Indian Railway dated 16th November 1923.

I have the honour to acknowledge receipt of your letter No. 271 of 19th September 1923, and to give below *seriatum* answers to your enquiries:—

(*a*) 43 tons—Rs. 1,25,328.

(*b*) Loco. repairs.

(*c*) Cannot be ascertained.

(*d*) No.

Scrap steel available annually 750 tons.

We do not produce steel castings in our own Workshops.

Letter dated 20th November 1923, from the South Indian Railway, forwarding replies to questionnaire No. II (b).

In compliance with your letter No. 272 of the 19th September 1923, I have the honour to enclose herewith the questionnaire with my reply against each item.

Replies to questionnaire No. II (b).

Answer.

1. 30,000 tons exclusive of fabricated steel.

2. Annual increase in expenditure:—

	Rs.
Capital	4,55,000
Revenue	1,71,800

3. Further annual increase:—

	Rs.
Capital	4,62,000
Revenue	1,05,000

4. Yes, certainly would prevent any reduction of fares.

5. Yes, it is bound to do so now that any proposal for extension is judged on its capacity to pay a fair return on Capital before sanction is given.

6. In itself, yes.

7. By means of a subsidy or a bounty on production.

Replies to questionnaire No. II (c) received from the South Indian Railway Co., Ld., dated 23rd November 1923.

I have the honour to give below my replies to the questionnaire forwarded to me with your letter No. 313 of the 25th September, 1923.

1. The total number of wagons used by this Railway is:—

Metre Gauge	**4,464**
Broad Gauge	**1,867**

Main types of wagons.

Metre Gauge—

Bogie covered goods	1,328
Bogie high-sided	171
Bogie timber trucks	49
Bogie ballast wagons	50

Broad Gauge—

Covered goods	763
Open goods	251
Timber trucks (double bolster)	176
Steel ballast wagons	25

2. The following have been included in the five years programme:—

	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.
Metre Gauge—					
Bogie covered goods wagons.	75	60	35	38	..
„ High-sided wagons	35	..	..	..	..
„ Ballast wagons	20	..	..	..	..
Broad gauge—					
Covered Goods wagons	50	80	..	..	50
Open goods wagons	15	30	30	30	..
Timber trucks	30	..	..	..	..

3. No.
4. None.
5. Please see statements attached.
6. (*a*) Metre Gauge—

	Tons.
Bogie covered goods (exclusive of wheels and axles)	8-9
Bogie high-sided	7-9
Bogie ballast	7-5
Bogie timber trucks	6-5
Broad Gauge—	
Covered goods	6-0
Open goods	5-16
Timber trucks	5-8
Ballast wagons	5-5

(*b*) to (*i*) I regret it is not possible for us to give this information.
7. Yes.
8. Yes.
9. No.
10. By subsidy.
11. Would undoubtedly prevent a reduction of fares and also retard the construction of Railways.

Reply to No. 5.

Metre Gauge—Estimated Amount, 1923-24.

	Bogie covered goods.	Bogie high-sided.	Bogie ballast.
	Rs.	Rs.	Rs.
English cost c. i. f. *plus* landing charges and duty but (less cost of wheels and axles).	4,050	5,550	4,050
Erection—			
Labour	180	150	90
Stores	50	30	40
General charges	30	25	20
Depreciation on buildings and plant .	215	288	210
TOTAL .	4,525	6,043	4,410

Broad Gauge—Estimated Amount, 1923-24.

	Covered goods.	Open goods.	Timber trucks.
	Rs.	Rs.	Rs.
English cost c. i. f. *plus* landing charges and duty but (less cost of wheels and axles).	3,765	3,765	3,765
Erection—			
Labour	140	100	100
Stores	60	50	30
General charges	30	25	22
Depreciation on buildings and plant . .	200	197	196
TOTAL .	4,195	4,137	4,113

Reply to Question No. 5.

Erected in our Workshops in 1922-23.

METRE GAUGE.

	ACTUALS.	
	Bogie covered goods.	Bogie high-sided.
	Rs.	Rs.
English cost c. i. f. *plus* landing charges and duty but (less cost of wheels and axles).	7,825	5,222
Erection—		
Labour	118	74
Stores	64	22
General charges	16	10
Depreciation on buildings and plant	401	266
TOTAL	8,424	5,594

BROAD GAUGE.

	ACTUALS.
	Covered goods (single unit.)
	Rs.
English cost c. i. f. *plus* landing charges and duty but (less cost of wheels and axles).	4,030
Erection—	
Labour	67
Stores	23
General charges	15
Depreciation on buildings and plant	207
TOTAL	4,342

Figures for other types have not been given as they have not been turned out in 1922-23 or programmed for during 1923-24.

No. 42.

Replies to questionnaire No. II (a) received from The Madras and Southern Mahratta Railway Co., Ld., dated 29th October 1923.

In reply to your No. 271 of the 19th September 1923, I have the honour to state as follows:—

The weight of steel castings imported as such during the last two official years was approximately 60 tons valued at Rs. 36,000.

These castings were mostly used for the renewal of parts of locomotive carriages and wagons.

No separate record is kept of the weights of steel castings imported as parts of rolling stock or other important articles, it is probably about 200 tons valued at 1 lakh.

It is expected the normal requirements will increase by about 50 per cent. during the next 5 years.

No steel castings are manufactured in our own shops. This Railway is situated at a great distance from the Indian works undertaking steel castings which are situated in the North, it has been suggested that economies could be effected by utilizing scrap locally.

This Railway at present puts about 150 tons of steel scrap on the market annually.

Replies to questionnaire No. II (b) received from The Madras and Southern Mahratta Railway Co., Ld., dated 30th October 1923.

With reference to your letter No. 272 of the 19th September 1923, I have the honour to reply as follows:—

The probable annual consumption of steel of the kinds mentioned during the next 5 years is 12,400 tons, of which 11,000 tons would be rails, and 1,400 other sections.

Assuming that the price of the steel was increased to the full extent of additional duty, a rise in import duty from 10 to 33⅓ per cent. would involve an additional expenditure of about Rs. 70,000 on Capital and 3½ lakhs on Revenue account annually.

If the increased duty were extended to structural steel, imported in the fabricated condition, there would be a further increase in expenditure, mostly on Capital account, of 2½ lakhs a year.

The increase in customs duty might add about 1 per cent. to the current working expenses, there would also be an addition to the interest charges on account of the increased Capital cost. This would have to be met by increasing earnings; it might not involve an immediate general rise in rates and fares, though, if the duty were continued for a long period, this must eventually result, on account of the increased Capital expenditure.

Most of the proposals in the area served by this Railway are for new branch lines. The return on these generally would be less than 4 per cent. on the present costs of construction; the net result of increased Capital cost and working expenses by the introduction of higher duties would be to decrease this return and this would have a discouraging effect on new construction.

With every desire to encourage local industries, it is considered that the fostering of particular industries would injure others, and from the Railway point of view the question of the means by which the end is to be attained is of paramount importance.

It is considered that an increase in tariffs or the restricting of orders to the local market would destroy healthy competition and would not result in the growth of a sound industry. It is also considered that the cost of developing specific industries should not be made a charge on transportation. India is a country of great distances; it is of vital importance to

many industries that the cost of carriage should be kept as low as possible and a tax which affects Railways hinders general development.

The Steel industry enjoyed a practical monopoly during the War period with the result that wages were increased to an extent not justified by the comparative efficiency of the labour. There is no guarantee that the artificial continuance of a monopoly by the imposition of a tariff barrier would result in improvement on sound business lines.

Railways are largely owned by Government and financed from Government loans, and any form of encouragement to rising industries should be strictly limited to the amount necessary to enable the industrial concern to give a return similar to that obtainable on money invested in Government loans. If Government take action to ensure that certain industrial investments pay rates of interest higher than those obtainable on Government loans, it will tend to discourage the provision of money badly needed for the development of communications.

The demand for steel in India is for many years likely to exceed the local supply, while at present there is no local competition to control prices. The principle of protecting industries of national importance has long been recognized in the case of Railways, where the guarantee was restricted to a rate of interest slightly below that obtainable on Government loans and a Government control imposed to prevent the exploiting of the public.

If the Steel industry is in the opinion of the Government of national importance and cannot be continued without protection, it is considered this should be given preferably in the form of a subsidy payable from general national revenues.

Replies to questionnaire No. II (c) received from The Madras and Southern Mahratta Railway Co., Ld., dated 2nd November 1923.

I have the honour to give below answers to the set of questions referred to in the enclosure to your letter No. 313, dated the 25th September 1923:—

No. 1.

Total number of wagons.

Broad Gauge	5,553
Metre Gauge	6,661
TOTAL	12,214

Main types I. R. C. A.

	Broad Gauge.	Metre Gauge.
Covered wagons 4-wheeled	3,692	4,894
Open wagons 4-wheeled	1,314	870
Oil tank wagons 4-wheeled	36	...
Explosive vans 4-wheeled	20	13
Covered wagons bogie	..	127
Open wagons bogie	...	231
Rail wagons bogie		Nil
Oil tank bogie		33
TOTAL	5,062	6,168

Other types—Broad Gauge.

Double bolster trucks 4-wheeled	93
Single bolster timber trucks and rail trucks 4 pairs	9
Open goods wagons six-wheeled	48
Platform trucks 8-wheeled non-bogie	3
Oil tank wagons six-wheeled	34
Water tank wagons four-wheeled	7
Gas trucks four-wheeled	13
Engine carrying truck bogie	1
Travelling cranes	16
Support wagons for travelling cranes	13
Store vans four wheeled	4
Tool vans four-wheeled	14
Brake vans	236
TOTAL	491

Total Broad Gauge . . . . . 491+5,062=5,553

Other types—Metre Gauge.

Double bolster timber trucks 4-wheeled	104
Single bolster timber trucks 4-wheeled	45
Oil tank wagons four-wheeled	4
Store vans four-wheeled	3
Loco. oil vans four-wheeled	8
Low sided wagons fitted with moveable bolsters four-wheeled	16
Low sided wagons with sides and ends coupled, six wheeled	2
Gas trucks four-wheeled	36
Tool vans four-wheeled	14
Tool vans six-wheeled	2
Water tanks four-wheeled	77
Travelling cranes four-wheeled	6
Travelling cranes six-wheeled	9
Travelling cranes eight-wheeled	4
Support wagons for travelling cranes	16
Liquid fuel tenders four-wheeled	3
Platform wagons six-wheeled	2
Brake vans	142
TOTAL	493

Total Metre Gauge . . . . . 493+6,168= 6,661
Total for Broad and Metre Gauges . 5,553+6,661=12,214

No. 2.

Annual requirements Main Types—Broad Gauge Section.

Covered goods wagons four-wheeled about	200
Open goods wagons four-wheeled about	100
Oil tanks four-wheeled about	1
Explosive vans four-wheeled about	2
Covered goods wagons bogie	*Nil*
Open goods wagons bogie	1
Rail wagons bogie	1
Oil tank wagons bogie	*Nil*

Metre Gauge Section.

Covered goods wagons four-wheeled about	260
Open goods wagons four-wheeled about	160
Explosive vans	1
Covered goods wagons bogie	
Open goods wagons bogie about	5
Rail wagons bogie about	1
Oil tank wagons bogie about	1

No. 3. No.

No. 4.

Broad Gauge Section	950
Metre Gauge Section	264
TOTAL	1,214

Broad Gauge Section.

No. 5.

Covered goods wagons A-2 type I. R. C. A. four-wheeled.

(*a*) Rs. 4,405.

(*b*) Rs. 4,595.

Covered goods wagons A-2 type I. R. C. A. ordered but not received.

(*a*) Rs.. 3,450, contract price+freight, etc.

(*b*) Not available, wagons not yet received.

Bogie open wagons B.C.-1 type I. R. C. A. ordered but not received.

(*a*) Rs. 8,200, contract price+freight, etc.

(*b*) Not available, wagons not yet received.

Explosive wagons X type I. R. C. A. four-wheeled ordered but not received.

(*a*) Rs. 5,000, contract price+freight, etc.

(*b*) Not available, wagons not received.

Rail wagon bogie B.D.-1 type I. R. C. A. ordered but not received.

(*a*) Rs. 7,700, contract price+freight, etc.

(*b*) Not available, wagons not yet received.

Oil tank wagons J.-1 type I. R. C. A. ordered but not yet received.

(*a*) Rs. 6,500, contract price+freight, etc.

(*b*) Not available, wagons not received.

Metre Gauge Section.

Covered goods type four-wheeled M.A.-1 type I. R. C. A.

(*a*) Rs. 2,300, contract price+freight, etc.
(*b*) Not available, wagons not yet received.

Oil tank wagons bogie M.B.J.-1 type I. R. C. A.

(*a*) Rs. 9,700, contract price+freight, etc.
(*b*) Not available, wagons not yet received.

No. 6.

Broad Gauge Section.

Covered goods wagons four-wheeled A.-2 type I. R. C. A.

	T.	C.	Q.	lbs.
(*a*)	7	13	0	0
(*b*)	0	13	0	0
(*c*)	0	6	0	0
(*d*)	0	3	2	0
(*e*)	0	12	0	0
(*f*)	1	10	0	0
(*g*)	4	0	0	0
(*h*)	1	0	0	0
(*i*)	0	3	0	0

Metre Gauge Section.

Covered goods wagons four-wheeled, M.A.-1 Type I. R. C. A.

	T.	C.	Q.	lbs.
(*a*)	4	6	2	22
(*b*)	1	6	2	14
(*c*)		...		
(*d*)	0	5	3	15
(*e*)	0	7	2	16
(*f*)	1	7	0	0
(*g*)	0	12	3	0
(*h*)	0	5	0	0
(*i*)	0	1	2	0

No. 7. No. It is not considered advisable to make any alteration in either quality of material or severity of the tests.

No. 8. It is considered the establishment of a wagon building industry in India is only desirable from a Railway point of view in so far as it eliminates the payment of heavy freight and landing charges and thereby tends to a reduction in transportation charges. While generally favourable to proposal tending to the development of Indian industries the means by which this is achieved is of paramount importance. From the Railway point of view it must be such as will not increase Railway working costs.

No. 9. Provided Railways were so grouped as to admit of large scale manufacture in Railway shops this should be more economical as the interest to be paid on capital investment would probably be smaller than that demanded by outside industrial concerns, and certain overhead charges could probably be shared by other works.

No. 10. If the industry is encouraged on the grounds that it is of national importance, the financial assistance should take the form of a subsidy paid from general funds; it should not be a tax on transportation.

No. 11. If the price of the A-1 wagon to Railways was raised to Rs. 4,600 exclusive of wheels and axles it would probably not result in an immediate rise in rates or fares. The effect of the increased cost would be partly cumulative and would result eventually in concessions being refused or rates raised earlier than otherwise necessary.

If a further Rs. 440 per wagon were added on account of increase of duty on steel from 10 to 30 per cent. it would probably be necessary to investigate the possibility of increasing earnings at once.

The proposed increase in duty would discourage Railway construction.

No. 43.

Replies to questionnaire No. II (a) received from the Bengal and North Western Railway Co., Ld., dated 16th October 1923.

I beg to give below the information asked for in the above:—

	Weight. Tons.	Cost.
(a) The weight and value of steel castings imported during the last two official years .	*Nil.*	*Nil.*
(b) Purposes for which used .	*Nil.*	
(c) Approximate weight and value of steel castings imported as parts of wagons, Locomotives, Carriage under-frames or other important articles during the last two years . . .	393-19-0	£34,505
(d) As far as known to this office the annual requirements will not increase during the next five years		

2. No steel castings are produced in our Workshops.

3. Average amount of steel scrap which can be placed on the market for sale annually, 15-0-0 tons.

Letter dated 27th October 1923, from the Bengal and North Western Railway, forwarding Replies to questionnaire No. II (b).

In reply to your letter No. 272, dated 19th September 1923, I beg to forward a statement giving replies to the questionnaire received with your letter quoted above.

Replies to the questionnaire II (b).

1. I estimate the annual requirements for the next 5 years of the B. & N. W. Railway of the kinds of steel included in the statement which has been supplied by the Tata Iron and Steel Company at approximately 6,500 tons.

The mild steel supplied by Tatas has been found unsatisfactory for any class of work that has to be machined. The mild steel is too hard and large quantities have been rejected as it damages the machines.

2. The yearly Capital and Revenue expenditure of the Railway would be increased by approximately Rupees 4 lakhs if the import duty on all steel materials including rolling stock which are now imported were increased from 10 to 33⅓ per cent.

3. There will be no further increase as all imported materials have been included under question 2.

4. The increase would obviously encroach on the margin available from existing rates and fares.

5. It is estimated that in the case of a proposed railway similar to the B. & N. W. Railway the raising of the import duty to 33⅓ per cent. would increase the cost of construction by approximately 16 per cent. This would certainly be likely to retard the construction of Railways in India.

6. If the establishment of the steel industry in India will facilitate the supply of materials of good quality at reduced prices it is desirable from a railway point of view. It seems to me unlikely that this object will be attained.

7. If it is decided that the steel industry be established in India and that protection is necessary I consider that the protection should be given in the form of a bounty.

Replies to questionnaire No. II (c) received from the Bengal and North Western Railway Co., Ld., dated 15th November 1923.

In reply to your letter No. 313, dated 25th September 1923, I beg to state as under:—

1. Total No. of wagons on 30th September 1923 9,513
   Programme from 1922-23 to 1927-28 2,460
   Details of each type attached.

2. Annual requirements of new wagons of each type—

C.G. wagons 4-wheeled, 18′	400
Bogie timber trucks, 40′	10

3. Whether wagons built in Workshops—Yes, from raw material with wheels and axles and buffers coming from England.

If so, details of costs for main types—

	Rs.
English material excluding cost of wheels and axles	1,500
Labour and Indian stores	600
Total per wagon	2,100

4. Wagons bought in India—None.

5. Cost of each of the main type of imported wagons—

(a) Indian port *plus* landing charges and duty—Figures not available in this office.

(b) Finally erected and ready to run excluding cost of wheels and axles—

	Rs.
C.G. wagons 18 feet	2,250 each.
Bogie timber trucks	4,900 each.

6. Weights of the following per wagon is noted against each:—

	Tons.
(a) Total wagon	4-12-0
(d) Steel casting	0- 5-0
(e) Spring steel	0- 4-0
(f) Steel plates and sheets	1- 4-0
(g) Structural steel (angles, channels etc.)	1- 9-0
(r) Wrought iron	0-10-0

7. No. British Standard Specifications Report No. 24 not received in this office.

8. Whether the establishment of a wagon building industry in India considered desirable.—Yes.

9. Whether the development of own wagon works for Railways considered more economical in the long run.—In a Railway such as the B. & N. W. Railway it would be more economical to develope own wagon works.

10. Assistance to Wagon Companies in India.—In the form of a bounty or subsidy.

11. If assistance is given which increases the cost of wagons to the Railway, would the increase be of such magnitude as to render an increase of rates and fares necessary or to prevent a reduction in rates and fares which might otherwise have been possible?—When taken into account along with other increases such as wages, etc., it would certainly tend in that direction.

Would the increase retard the construction of Railways in India—Probably would.

Details of Goods stock.

(a) Open Low-sided wagons, wooden, four-wheeled		241
(b) Open Low-sided wagons, iron, four-wheeled		252
(c) Open Low-sided wagons, iron, bogie		28
(d) Timber trucks, iron, four-wheeled		267
(e) Timber trucks, iron, bogie		50
(f) C. G. wagons, 6-wheeled		942
(g) C. G. wagons, bogie		196
(h) C. G. wagons,	(18′ wooden)	24
	(18′ iron)	3,499
(i) C. G. wagons,	(16′ 4″ iron)	3,061
(j) C. G. wagons,	(14′ wooden)	33
	(14′ iron)	904
(k) Oil tank wagons, 4-wheeled		8
(l) Oil tank wagons, 6-wheeled		8
	TOTAL	9,513

Programme.

	1922-23.		1923-24.		1924-25.		1925-26.		1926-27.		1927-28		Total.
	Co.	State.	Co.	State.	Co.	State.	Co.	State.	Co.	State.	Co.	State.	
C. G. wagons, four-wheeled, 18 ft.	179	..	340	60	260	210	260	210	275	206	220	180	2,400
Bogie timber trucks	10	..	6	4	6	4	6	4	6	4	6	4	60

No. 44.

Letter, dated 23rd November 1923, from the Burma Railway Co., Ld., forwarding Replies to questionnaire Nos. II (a) and II (b).

Referring to your letters Nos. 271 and 272, both dated the 19th September 1923, I beg to reply as follows:—

2. On the general question of the protection of the steel industry in India, I agree entirely with the views of the Burma Chamber of Commerce, as expressed in letter dated the 1st September 1923, from their Secretary. I may mention that I am a member of the Committee of that Chamber, and was consulted in drafting their reply.

3. Several feeder railways are at present being constructed in Burma from funds provided by the Government of Burma, and it is the intention of that Government to provide funds for the construction of further feeder railways later. If special protection were given the steel industry in India, it would increase the cost of constructing those railways and would result in the construction programme having to be curtailed. Owing to the backward state of development in Burma, as compared with most provinces in India, the construction of those feeder railways is essential, and any measures which would have the effect of retarding their construction are greatly to be deprecated.

4. I should also like to point out that the freight on steel manufactures from Calcutta to Rangoon is very high—in some cases as high as the freight on such articles from England to Rangoon—which would increase the cost of railway construction were it necessary to import such articles from India owing to the high protective duties.

5. From the point of view of the Burma Railways I think it is very doubtful whether the establishment of the steel industry in India would offer any material advantages.

6. If it be decided to protect that industry, I would advocate that protection be given by means of a bounty and not by the enhancement of customs duty.

7. I have not had time to obtain the views of my Home Board, and the views expressed in this letter are, therefore, my own.

8. I have no desire to give oral evidence on behalf of my Company.

9. I enclose a statement giving the information asked for.

10. I regret exceedingly the delay in replying to your letters.

Replies to questionnaire No. II (a).

1. (*a*) Steel castings imported *as such* during the last two official years:—
Weight 3½ tons: Value Rs. 10,000 approximately.

(*b*) Parts of locomotives, carriages and wagons.

(*c*) Steel castings imported *as parts* of locomotives, carriages and wagons during the last two official years:—

Locomotives	234
Carriages	4
Wagons	334
TOTAL	572

Value not ascertainable.

(*d*) Probably yes.

2. No steel castings are produced in our own Workshops.

3. The annual accumulation of steel scrap is about 720 tons of which about 300 to 400 tons is available for the market, the balance being used for weighting brake vans.

Replies to Questionnaire No. 11 (b).

		Tons.
1.	60 and 50 lbs. rails and fastenings	5,300
	Girders	480
	Angle irons, tees, etc.	30
	TOTAL .	5,810

Channels.

1⅛″ × 1¼″	*Nil.*
1½″ × 1⅜″	
2″ × 1½″	
3″ × 1½″	
4″ × 2″	
7″ × 3″	
8″ × 3½″	
12″ × 4″	
15″ × 4″	

	Repairs. Tons.	New work. Tons.
6″ × 3″	2	1
9″ × 4″	1	—
10″ × 4″	33	3
TOTAL .	36	4

Channels which are not given as Tata standard sizes.

	Tons.	Tons.
8″ × 3″ × ·375	420	350
TOTAL .	456	354

GRAND TOTAL 810 tons.

Equal Angles.

1¼″ × 1¼″	*Nil.*
5″ × 5″	
6″ × 6″	

	Tons.	Tons
1½″ × 1½″	1	—
2″ × 2″	10	15
2¼″ × 2¼″	—	10
2½″ × 2½″	60	60
3″ × 3″	75	20
3½″ × 3½″	1	—
4″ × 4″	1	—
	148	105

GRAND TOTAL 253 tons.

Unequal Angles.

1¼″ × 1″	Nil.
2″ × 1½″	
5″ × 3″	
6″ × 4″	

	Repairs. Tons.	New work. Tons.
2″ × 2″	—	4
3″ × 2″	—	10
Non-Tata standards	11	1
	11	15
	TOTAL 26 tons.	

Flats.

The Tariff Board sizes 1″ to 6″ and 8″ are not clear and so total probable annual consumption is given.

	Tons.	Tons.
1½″ × ¼″	8	—
2″ × ¼″	90	—
1″ × ⅜″	3	—
2″ × ⅜″	12	—
2½″ × ⅜″	9	3
3″ × ⅜″	8	—
6½″ × ⅜″	30	—
7″ × ⅜″	40	—
1½″ × ½″	18	—
2″ × ½″	18	—
3″ × ½″ (Spring steel)	27	50
2″ × ⅝″	3	—
2″ × ¾″	7	—
2½″ × ¾″	20	12
2″ × 1″	25	10
3″ × 1″	7	5
	325	80
	TOTAL 405 tons.	

Rounds.

¼″	1	—
⅜″	12	3
½″	57	60
⅝″	50	27
¾″	80	7
⅞″	21	5

1"	4	—
1-1/16"	2	—
1⅛"	3	—
1¼"	3	—
1½"	12	14
1¾"	4	—
2"	12	—
2½"	3	13
	264	129

TOTAL 393 tons.

Plates.

Various widths up to 84".

	Repairs. Tons.	New work. Tons.
1/16"	7	35
⅛"	10	25
3/16"	25	45
¼"	50	120
⅜"	53	9
½"	3	20
⅝"	—	5
1"	3	—
	151	259

TOTAL 410 tons.

Sheets.

	Tons.	Tons.
8′ × 3′	12	—

TOTAL 12 tons.

Summary.

	Repairs. Tons.	New work. Tons.
Channels	456	354
Equal angles	148	105
Unequal angles	11	15
Flats	325	80
Rounds	264	129
Plates	151	259
Sheets	12	—
	1,367	942

GRAND TOTAL 2,309 tons per annum

(NOTE.—Channels and Unequal angles 431 tons are not Tata standards.)

2. Approximately Rs. 3,05,400.

3. Will import none.

4. The increase would undoubtedly tend towards an increase in rates and fares.

5. Yes, unless more money was available to meet the increased cost of materials.

6. See paragraphs 3, 4 and 5 of covering letter.

7. See paragraph 7 of covering letter.

Letter, dated 23rd November 1923, from the Burma Railways Company, forwarding replies to Questionnaire No. II (c).

Referring to your letter No. 313, dated the 25th September 1923, I enclose a statement containing the information asked for.

2. I regret I have not had time to obtain the views of my Home Board, and the opinions expressed are my own.

3. Please also see my letter No. 13829/112-S. of date, on the subject of protection of the steel industry in India.

Replies to Questionnaire No. II (c).

	No.
1. Total wagons No. as on 31st March 1924	8,610
Main types I. R. C. A. 4 W. covered goods Type MA-1 . .	1,160
Burma Railways, 4 W. covered goods, all teak . . .	3,660
Burma Railways, 4 W. covered cattle wagons, all teak .	326
Burma Railways, 4 W., 14-ton brake vans, all teak . .	90
Burma Railways, 4 W., ballast wagons, steel frame, wood body	206
Burma Railways, 4 W., bogie timber truck all steel with I. R. C. A. bogie	200

The above types include wagons now being placed on the line.

Types that will not be repeated are not given.

2. The annual requirement in new wagons for additions and renewals is approximately:

——	1922-23.	1923-24.	Av. 1924-25 to 1927-28.
I. R. C. A. covered goods	223	778	91*
B. Rys. covered goods	21	59	177
„ cattle wagons	56	..	54
„ brake vans	16	20	7
„ ballast wagons	3	100	2
„ timber trucks	54	80	30

* These may be B. Rys. type.

3. Yes, but at present only all timber wagons. The workshops are now being extended to permit of building all steel wagons; it is anticipated that construction of such stock may commence in 1925-26.

(a) The cost of one Burma Railways standard 4-wheeled covered goods and cattle wagon of 11¼ tons capacity excluding wheels and axles is at Rs. 15 per £1 sterling:

	Qty. (weight).	Cost.
	Tons.	Rs.
Labour	..	442
Timber teak	2-0-0-0	500
Structural steel angles and channels	11-2-24	106
Spring steel	4-0-10	44
Steel bar flat and round Class B	16-0-22	234
Plate M. S.	1-1-24	15
Iron castings	4-1-26	30
Brass castings	0-1-4	13
Buffers and sockets imported	2-3-24	226
Galvanized roof sheets imported	3-0-0	110
TOTAL	4-4-0-22	1,720

The above is the only type of vehicle *now* entirely built in our workshops.

4. None.

5. The cost of main types of imported wagons erected in our shops (none erected by private firms) is, including cost of timber bodies in certain cases, as follows, exclusive of wheels and axles and at Rs. 15 per £1 sterling.

(a) I. R. C. A. 4-wheeled covered goods wagons.

		T. C. Q. lbs.	Rs.
Underframe and body complete imported c.i.f. Rangoon including landing charges and duty		4 0 0 0	1,920
Labour erection—			
Fitters	20		
Rivetters	45		
Lifters	10		
Coolies	20		
Painters	19		
	114		114
		TOTAL	2,034

(*b*) Burma Railways type 4-wheeled 14-ton brake-vans.

		'	C.	Q.	lbs.	Rs.
Underframe complete imported c.i.f. Rangoon including landing charges and duty .		2	6	0	3	2,050
Labour erection—						
Carpenters	340					
Smithy	125					
Fitters	15					
Lifters	10					
Coolies	25					
Machining timber	15					
Painters	25					
	550					550
Timber teak		2	10	0	0	710
Structural steel		0	4	2	12	45
Steel bars, class B		0	14	0	22	227
Cast iron		0	2	0	8	14
Galvanized roof sheets		0	3	0	0	110
TOTAL .						3,706

(*c*) Burma Railways type 4-wheeled 11¾-ton Ballast wagon.

						Rs.
Underframe complete imported c.i.f. Rangoon including landing charges and duty .		2	16	2	0	1,635
Labour erection—						
Carpenters	30					
Smithy	100					
Fitters	25					
Lifters	10					
Coolies	10					
Machining timber	5					
Painters	15					
	195					195
TOTAL						1,830

(*d*) Burma Railways type bogie 20-ton timber trucks.

						Rs.
Underframe complete with I. R. C. A. bogies imported c.i.f. Rangoon including landing charges and duty		8	12	0	0	4,660
Labour erection—						
Fitters	45					
Lifters	15					
Coolies	15					
Painters	15					
	90					90
						4,750

A.

6. I. R. C. A. 4-wheeled covered goods.

	Weight. T.	C.	Q.	lbs.
(a) Total weight excluding wheels and axles	4	0	0	0
(b) " B " class	0	8	0	26
Nil.	......			
(c) Steel castings	0	4	0	22
(d) Spring steel	0	5	1	18
(e) Plates and sheets	1	10	0	24
(f) Channels and angles	1	10	1	5
(g) Wrought iron	0	1	0	4
(h) Cast iron	0	0	1	9
(i) Brass	0	0	1	4
TOTAL	4	0	0	0

B.

Burma Railways type 4-wheeled 14-ton brake vans.

	T.	C.	Q.	lbs.	
(a) Total weight excluding wheels and axles	12	18	0	0	inclusive of scrap for weighting.
(b) " B " class	0	6	2	22	
Nil.	......				
(c) Steel castings	0	4	0	22	
(d) Spring steel	0	4	0	16	
(e) Plates and sheets	0	5	2	0	
(f) Channels and angles	1	4	0	19	
(g) Wrought iron	0	1	0	4	
(h) Cast iron	......				
(i) Brass	0	0	1	4	
TOTAL	2	6	0	3	

C.

Burma Railways type 4-wheeled 11½-ton Ballast wagon.

	T.	C.	Q.	lbs.	
(a) Total weight excluding wheels and axles	3	12	0	0	including timber.
(b) " B " class	0	7	2	15	
Nil.	......				
(c) Steel castings	0	4	0	22	
(d) Spring steel	0	5	2	16	
(e) Plates and sheets	0	14	3	20	
(f) Channel and angles	1	2	1	25	
(g) Wrought iron	0	1	0	4	
(h) Cast iron	0	0	1	6	
(i) Brass	0	0	1	4	
TOTAL	2	16	2	0	

D.

Burma Railways type 20-ton Timber truck,

	Weight T. C. Q. lbs.
(*a*) Total weight excluding wheels and axles	8 12 0 0
(*b*) " B " class	2 6 2 23
Nil.	
(*c*) Steel castings	0 13 1 0
(*d*) Spring steel	0 8 1 26
(*e*) Plates and sheets	2 7 0 24
(*f*) Channels and angles	2 10 1 25
(*g*) Wrought iron	0 1 0 4
(*h*) Cast iron	0 4 1 2
(*i*) Brass	0 0 2 8
TOTAL .	8 12 0 0

7. This subject has not been gone into.

8. No. Since Railway Companies must maintain considerable establishment for repair of stock and the additional expenditure necessary to equip these shops for wagon building is comparatively small. In the case of the Burma Railways, it is found that " *all steel* " covered goods stock is a definite failure due to rapid corrosion of the bodies; the standard covered stock will in future be wooden body with steel underframe to suit; the underframe will on account of the body design almost certainly not be possible of construction to Indian Railway Conference Association in all respects.

The cost of importation from India to Burma will also be prohibitive on account of high freights resulting from a shipping monopoly.

9. Yes, for reasons given above.

10. I do not agree with a protective tariff which is bound to result in increased cost of production.

11. The increased cost of rolling stock would undoubtedly tend to render necessary an increase in rates and fares but the extent of this will be dependent on quantity of stock to be obtained.

No. 45.

Commissioners for the Port of Rangoon.

Letter, dated 19th October 1923.

I have the honour to acknowledge receipt of your letter No. 388, dated 9th October 1923, and to say that after duly considering all the points which arise directly and indirectly from the subject matter of your reference I have come to the conclusion that the matter is not one on which the Commissioners for the Port of Rangoon, as a public body, can submit an opinion.

No. 46.

Madras Port Trust.

Written Statement, dated 30th October 1923.

With reference to your letter No. 388, dated the 9th October 1923, forwarding, for an expression of views of the Trust, copies of two letters addressed by the Tariff Board to the principal Railway Companies in India in connection with their enquiries into the steel industry, I have the honour to inform you that the Trustees in their meeting of the 26th October 1923 have resolved that they, as a corporate body, do not desire to express any opinion on the general question of protection to the steel industry as affecting Railways. They further resolved that as their railway operations form so small a proportion of the whole work of the Port that any information they could supply as to the effect of protection on the steel industry would not be of much use to your Board.

2. A copy of their Resolution is enclosed.

Extract from the proceedings of the Trustees of the Port of Madras, at a Meeting held at the Office of the Board on Friday, the 26th day of October 1923.

* * * * * * * *

356. Read a letter No. 388, dated the 9th October 1923, from the Secretary, Tariff Board, forwarding, for an expression of the views of the Trust, copies of letters addressed by the Board to the principal Railway Companies in India in connection with their enquiries into the steel industry. Read also note thereon by the Chairman.

Resolved that the Secretary of the Tariff Board be informed that the Trustees, as a corporate body, do not desire to express any opinion on the general question of protection to the steel industry as affecting Railways and that the Trust's railway operations form so small a proportion of the whole work of the Port that any information they could supply as to the effect of protection thereon would hardly be of any value to his Board.

* * * * * * *

No. 47.

The Karachi Port Trust.

Written Statement, dated 16th November 1923.

With reference to your No. 388, dated 9th October 1923, I am directed to state that the views of the Port Trust in connection with the inquiries of

your Board into the steel industry are as given in the accompanying copy of the Report of the Port Trust Committee which has been approved by the Board.

Report of the Committee appointed under Board's Resolution No. 538, dated 2nd November 1923.

The Committee met in the Port Trust Office at 12 noon on Monday, the 12th November 1923.

Read the Secretary, Tariff Board's letter No. 388, dated 9th October 1923, forwarding two letters addressed by the Tariff Board to the principal Railway Companies in India and requesting the Karachi Port Trust Board to make any observations they may wish to, by November 15th.

The Committee first considered letter No. 272, dated 12th September 1923, in so far as it affects the Karachi Port Trust, and have framed the following answers to the questionnaire.

Answer.

1. (*a*) *Construction Work.*—(Capital Expenditure from loans.)

The approximate value of steel work, including tug, barges, suction plant, sheds, cranes, rails, etc., to complete the first six berths at the West Wharf amounts to Rs. 84,00,000.

1. (*b*) *Maintenance Expenditure.*—(Revenue Expenditure.)

The estimated amount to be spent per annum on Machinery and materials for special repairs to Dredging Plant, Hydraulic Cranes, Mooring Buoys, etc., is Rs. 4,00,000.

Answer 2 (a).

Construction work.—(Capital Expenditure from loans.)

Of the amount, Rs. 84,00,000, shown in answer 1 (*a*) Rs. 58,50,000 are at present dutiable at 10 per cent., therefore, if the duty be increased to 33⅓ per cent. the additional expenditure would be Rs. 13,65,000 during the next 6 or 7 years.

Answer 2 (b).

Maintenance Expenditure.—(Revenue Expenditure.)

Of the amount, Rs. 4,00,000, shown in answer 1 (*b*) Rs. 3,00,000 are dutiable at 10 per cent. the additional expenditure would be Rs. 70,000 per annum or Rs. 4,20,000 in the next 6 years.

Answer 3 (a).

Construction work.—(Capital Expenditure from loans.)

Of the amount, Rs. 84,00,000 given in answer 1 (*a*), Rs. 25,50,000 are dutiable at 2½ per cent., the increased expenditure, if the duty were increased to 33⅓ per cent. would be Rs. 7,86,250 in 6 or 7 years.

Answer 3 (b).

Maintenance Expenditure—(Revenue Expenditure.)

Of the amount, Rs. 4,00,000, given in answer 1 (*b*), Rs. 1,00,000 are dutiable at 2½ per cent., if this were increased to 33⅓ per cent. the extra expenditure would be Rs. 30,833 per annum or Rs. 1,84,998 in 6 years.

Answer 4.

Emphatically yes.

Answer 5.

The raising of the import duty would most certainly retard progress, in fact it would probably enforce schemes to be shelved entirely.

Answer 6.

Yes, provided that the establishment of the steel industry is not fostered by means of a high protective import duty.

Answer 7.

If, after full enquiries, it is established that it is absolutely essential that the steel industry should be given some protection, it should take the shape of a bounty or subsidy that would not hit the consumer and would react less unfavourably on the Port Trust than an import duty. This bounty should only be given after every indirect means of support to the steel industry has been thoroughly exploited.

General.

In order to analyse the annual increased expenditure which would result from the imposition of the increased duty under paragraph 2, Loan and Revenue expenditure will have to be taken separately.

Construction work.--(Loan Expenditure under Question 2.)

For the construction of the first six berths the additional expenditure is estimated at Rs. 13,65,000 which means that Revenue expenditure would have to meet the Interest and Sinking Fund Charges on this amount. This sum works out as under:—

	Per annum. Rs.
Sinking Fund to be set aside on a 5 per cent. basis on Rs. 13,65,000	68,250
Interest on Rs. 13,65,000 at 5½ per cent. . .	75,075
TOTAL .	1,43,325

Maintenance Expenditure.—(Revenue Expenditure under Question 2.)

	Rs.
Increased Revenue Expenditure	70,000
Total annual increase under both heads . .	2,13,325

Further increased expenditure under Question 3.

Construction work (Loan Expenditure) Rs. 7,86,250.

	Per annum. Rs.
Amount to be set aside on the basis of 5 per cent. on Rs. 7,86,250	39,312
Interest at 5½ per cent. on Rs. 7,86,250 . . .	43,243
TOTAL .	82,555

Maintenance Expenditure.—(Revenue Expenditure.)

	Rs.
Increased Revenue Expenditure	30,833
Total under both heads	1,13,388

The total increased expenditure may therefore be summarised as follows:—

	Rs.
Annual increased expenditure under question 2	2,13,325
Annual increased expenditure under question 3	1,13,388
Annual increased expenditure under questions 2 and 3	3,26,713

Now the average income of the last three years as shown in Statement I of our application to Government for a further loan is Rs. 60,18,255.

In order therefore to meet this extra expenditure charges would have to be enhanced as under:—

	Per cent.	
Under question 2	3½	Approximate.
Under questions 2 and 3	5½	

These percentages at first sight do not appear very high, but when the receipt side of the Budget is examined it will be seen that this percentage cannot possibly be added to each and every item and the result would be that Table I would have to stand the bulk of the increase and without a careful analysis of the charges it is impossible to say what the extra charge would be in terms of percentage of the present charges already heavily enhanced since the war.

As regards the second letter No. 313, dated 26th September 1923, at present the Port Trust is not in a position to answer the questionnaire in detail as the North-Western Railway do all the railway transport in connection with the Port.

On the completion, however, of the berths now under construction on the West side of the harbour, the Port Trust will in all probability work this side of the harbour as far as the railway is concerned.

The estimated capital cost of this undertaking is Rs. 20,00,000 and if the duty is enhanced from 10 per cent. to 33⅓ per cent. the increased expenditure would amount to Rs. 4,66,666 making an annual charge for sinking fund and interest of Rs. 48,999 which would have to be raised by further enhancement of charges to the public.

No. 48.

The Bombay Port Trust.

Written Statement, dated 20th November 1923.

With reference to your letter No. 388, dated 9th October 1923, and your memorandum No. 412, dated 12th idem I have the honour to say that as the Questionnaire relates specifically to Railway working, it is not possible for the Port Trust to give definite replies as it is obvious that railway interests and Port Trust interests in this connection may not coincide on all points. Further, some of the points raised are only of academic interest to the Port Trust.

The activities of the Port Trust embrace many other matters besides those of their Railway. The increase in cost of railway wagons due to any enhanced duty would not affect seriously the working of the Railway as the number purchased annually on Capital account only amounts to about fifty.

Any increase, however, in the cost of steel, whether fabricated or not, would undoubtedly affect both the revenues and the Capital expenditure of the Port and if this increase was extended to include such items as dredgers, barges, tugs, cranes, locomotives, caissons, dock gates, etc., whether imported complete or in parts for re-erection, a further increase in Port Trust tolls and charges would inevitably become necessary.

It is estimated that the Trust will be purchasing 1,370 tons per annum of fabricated steel, the duty on this at 10 per cent. being approximately Rs. 28,770 but if increased to 33⅓ per cent. it would amount to Rs. 95,895, an increase of Rs. 67,125 per annum.

In the above connection a point of great importance is that a further increase on fabricated steel if applied to steel hulls, etc., of dredging flotilla, would enormously increase the Port Trust expenditure. At present it is estimated that during the next five years £87,000 will be spent in Customs duty at 10 per cent. on the floating plant to be purchased. If this is increased to 33⅓ per cent. the additional expenditure would be say Rs. 30 lakhs, or Rs. 6 lakhs per annum.

It will thus be seen by summarising the above totals for fabricated steel, both ordinary and dredging, that the additional annual cost to the Port Trust for some years to come, due to increased Tariff, if approved, would be as follows:—

	Rs.
Fabricated steel ordinary	67,125
Fabricated steel floating plant	6,00,000
	6,67,125

The Trade generally is pressing for a decrease in Port charges and by means of economic working in every direction, efforts are being made to achieve this object. These efforts will be entirely stultified if the Customs duties are to be raised as proposed.

The Port Trust naturally would welcome any increased industrial activity in India but would prefer that this should not be attained at the expense of Indian trade.

With the existing tariffs and with the extraordinary mineral wealth of India, placed by nature in such a favourable position, it is difficult to believe that Indian steel industries should not be able to compete favourably with the products of other countries, without imposing a further, almost prohibitive, tariff.

If, however, in order to foster industry in India, some form of help is necessary it appears preferable that it should take the form of a limited subsidy which, although eventually paid for by the people, would be more equable in incidence.

No. 49.

Indian Mining Federation.

Written Statement, dated the 28th September 1923.

I am directed to refer to your letter No. 280, dated the 20th September 1923, in which you invited an expression of opinion from the Federation regarding the proposed protection to steel industry. The matter has had a very careful consideration of the Committee of the Federation and I am directed to say that while in their opinion the proposed increase in tariff will not reflect itself to any marked extent on the working cost of the coal mining, it will appreciably add to the capital cost of the collieries. There seems, therefore, reasonable ground for the apprehension that an increased duty of 33⅓ per cent. on steel products will be keenly felt by the smaller collieries.

2. The Committee do not propose to give oral evidence before the Tariff Board.

No. 50.

Indian Jute Mills Association.

Written Statement, dated the 1st December 1923.

The Committee of the Indian Jute Mills Association have the honour to refer to your letter No. 36, dated the 17th July 1923, enclosing, for the information of the Association, copy of a press communiqué regarding the Board's examination of the question of extending protection to the manufacture of steel in India. The press communiqué explained that the Board would have to take into account the effect which any measures recommended by them might have on industries dependent on the use of steel, and in this connection it was requested that those interested in such industries would submit statements of their views, stating at the same time whether they desired that witnesses should be examined orally in support thereof. I am to explain that this Association does not wish to nominate any witness for oral examination by the Board, but that it is considered desirable that the following statement should be submitted, indicating generally the views of the jute mill industry on the question of the suggested protection of the manufacture of steel in this country.

2. The jute mills are, it will be understood, considerable consumers of steel and steel manufactured articles, both in respect of original construction and equipment, and in regard to recurring charges for replacements, repairs, etc. So far as original construction and equipment is concerned, it is estimated that approximately 75 per cent. of the block expenditure is required for constructional steel, machinery, engines and plant generally. As a matter of interest it may be mentioned that the present day cost of erecting and equipping a jute mill, including land, staff and labour quarters, railway siding, etc., is at least Rs. 16,000 per loom against approximately Rs. 6,000 per loom before the war; and there are at present some 46,000 looms in the jute mills on the Hooghly. Then with regard to annual recurring expenditure, it is calculated that the amount spent by the mills per annum on imports of raw steel, and spare parts made of steel, is about Rs. 57 lakhs; this figure is calculated on the basis of the actual expenditure on these accounts of several representative mills during the past three years.

3. There is an important factor which it is necessary to keep in view in considering any question likely to affect the cost of production of jute manufactures. It is true that jute is a monopoly of India, but jute bags and jute cloth are not by any means the only materials that can be used for carrying the world's products. They are in fact used because of their cheapness as compared with other materials, and as soon as the virtue of cheapness disappears they come into competition with other articles. It is essential that this point should not be overlooked, for anything which may tend to increase cost of production undoubtedly endangers the existence of the industry to a much greater relative extent than is the case with an industry that is not so dependent on selling its product at a low cost. The cost of production from a jute mill, and the minimum price at which it can sell its manufactures without loss, are already of course much higher than before the war.

4. The Committee have now indicated generally the extent of the interest of the jute mills as consumers of steel and steel manufactured articles, and the necessity of keeping cost of production on a low level. It is inevitable that if protection is given to the steel manufacturing industry in this country one consequence will be to increase the cost of jute fabric production, the cost of construction of new mills, and the cost of extensions to existing mills. The natural expansion of the industry will thus be hampered, if not severely checked: for, as has been explained, it is chiefly because of their cheapness that jute manufactures are used. If, in addition to the much higher cost of construction as compared with the pre-war basis, the total block expenditure on new construction or extensions is to be subjected to a

further material increase, the cheapness of the finished product will be threatened, consumption will decrease, and the natural expansion of the industry will be restricted. Assuming that the increased cost, in consequence of a protective tariff on steel, affected only half of the block expenditure and that it involved an additional payment of 20 per cent. on the value of that half, the cost of construction would be Rs. 17,600 per loom instead of 16,000 as at present, and Rs. 6,000 before the war.

5. With regard to repairs and replacements, if the import duty on machinery is increased in order to assist machinery manufacturers in this country—and within the last few years several manufacturers have laid down plant for the manufacture of machinery—it is obvious that the recurring expenditure of mills will be adversely affected. If, on the other hand, the import duty on machinery is not raised, but the import duty on raw steel is, the price at which the local manufacturer of machinery can place his product on the market will be increased—if indeed he is not crushed out of existence—and his foreign competitor will of course raise the price accordingly. The Fiscal Commission (paragraph 109) fully realised the necessity of allowing machinery to come into the country at the cheapest possible cost, but at the same time they referred to the " obvious advantages in the encouragement of the manufacture of machinery in India." They were of opinion, however, that such encouragement should not be given by import duties, but by means of bounties. It is true that the Commission contemplated the possibility—in view of jute being a monopoly of India—of the jute manufacturing industry being able to bear an import duty on its machinery, with a view to developing the manufacture of this machinery in India. But, as has been stated above, and indeed, as is obvious without being reiterated, any protection that may be given to steel, whether or not it is accompanied by protection to machinery manufactured in India, is bound to lead to an increase in the price of machinery, an increase which will of course affect machinery generally and not only the machinery required for jute mills. The position with regard to spares and replacements other than machinery will be precisely the same.

6. The Association is therefore, in view of the considerations which have been mentioned, opposed to protection being given to the steel industry in India, but it is desirable to mention one further point of importance. It is recognised in the industry that there are certain qualities of steel required for jute mill machinery which cannot be produced in this country, and, in the opinion of the Committee, will never be produced here. The Committee refer to the special cast steel used for the drawing rollers of drawing and roving frames, spindle steel, etc., and should it be decided, notwithstanding the strong protests against protection which have been made, to impose a protective duty to assist the Indian steel manufacturer of ordinary qualities, such special steels (which can be classified without difficulty) would require to be excluded.

No. 51.

The Indian Mining Association.

Letter, dated 28th September 1923.

I have the honour to acknowledge the receipt of your letter No. 280, dated 20th September 1923, enquiring whether any member of this Association would desire to give evidence before the Tariff Board in connection with the question of protection of the steel industry.

2. I am directed to say that the Committee have considered your suggestion but that they do not think the Association could usefully contribute to the discussion at the present stage. The Association therefore do not propose to offer any evidence in the matter.

Letter, dated 11th January 1924, from the Indian Mining Association.

The Committee of this Association have had under consideration for some months past, the question of the proposed import tariff on steel as a measure of protection to the indigenous industry.

In view of the fact that it was extremely unlikely that anything like unanimity would be reached, and also that several members of the Association were to give direct evidence before your Board, my Committee at first decided, in order to avoid repetition and "overlapping," to offer no direct evidence, nor to submit any written statement.

As they have reason to believe, however, that this attitude has given rise to some misunderstanding and comment, they have recently drawn up and circulated to members a "questionnaire" inviting expressions of opinion, a copy of which I enclose herewith.

This "questionnaire," as you will doubtless note, may, at first sight, perhaps give the impression that this Association holds a brief for the principle of "Protection." This I am to state is far from being the case; but the "questionnaire" was deliberately prepared and put before members in the form of a series of "leading questions" in the hope of obtaining in the replies something more than mere negation or affirmation.

This object has been attained and the views expressed by members are so varied as to be almost incapable of being blended to express the solid opinion of this Association. For this reason the Committee have considered it desirable to forward the accompanying copies of the replies received from members, with a note on each reply of the annual raisings which the writers represent.

It will be noted from these replies, representing, as they do, total annual raisings in 1922 amounting to 7,098,388 tons or approximately 42 per cent. of the total output of the Bengal and Bihar and Orissa coalfields in that year, that while the consensus of opinion is against the proposed increase in the import duty on foreign steel, the balance of opinion is only in favour if the actual continuance of the existing Steel Industry is absolutely dependent upon some form of State assistance, which has certainly still to be proved. In the present state of the Government of India's finances it would appear that "bounties" or "State guarantees" are out of the question, while a compromise such as an increase in the present duty of 10 per cent. or, say, 15 per cent. or 20 per cent., though preferable to the 33⅓ per cent. asked for, may not be sufficient if the need for State aid is real.

In the remote contingency of the extinction of the Steel Industry through the absence of protection, the Coal Industry would have from 2 to 3 million tons thrown on the market annually, and consequently a severe decline in prices to face out against this, there is the fact that this quantity would be available for absorption in other directions more particularly in the recovery of lost markets. A further most important factor is the statement by the Railway Companies, that the cost of transport must be increased if the duty is imposed, whereas this Association has consistently pressed for more efficiency in, and lower charges by, the transport agencies.

The Committee think it will be readily recognised from the correspondence now forwarded that the views of members are by no means unanimous, and it is with a view to placing all shades of opinion before the Board that I am instructed to forward the accompanying copies of the actual replies to the "questionnaire" in the hope that they may prove of interest to the Tariff Board having regard to the aggregate raisings which the replies represent.

THE TARIFF BOARD.

(Proposed extension of protection to the Steel Industry.)

QUESTIONNAIRE.

1. Are you of opinion that the maintenance of a healthy Steel Industry in India is vital to the interests of the country generally and/or to the Coal Industry particularly?

2. If so, are you in favour of assistance to the Steel Industry in any form?

3. Do you think that assistance in any of the following alternative forms would be preferable to the direct protective duty on steel asked for if it is decided that the Steel Industry needs assistance for imperial reasons:—

(a) By a "bounty" system.

(b) By a State guarantee of a fixed percentage on the capital employed as is done in the case of Railways, coupled with some form of Government control.

(c) By a lower rate than the suggested 33⅓ per cent. on imported steel (say, 15 per cent. or 20 per cent.).

4. To what extent do you consider your Coal interests likely to suffer if any of the above alternatives are adopted, namely:—

(1) In increased raising costs.

(2) In increased capital costs.

(3) In increased "depreciation."

(4) In transportation costs.

5. If protection to the Steel Industry is not given in any of the above forms, and, for the sake of argument the industry collapses, what will be the effect, in your opinion, on the Coal Trade, of the loss of the present market for some 1½ to 2 million tons, the present annual consumption of Coal by the Steel Industry?

6. Is not the effect on the selling price of Coal likely to be disastrous and far more than outweigh the additional costs outlined in question four above?

7. Have you any other alternative to put forward as a possible solution of the problem, should the principle of the desirability of some form of "State Aid" to the steel industry be affirmed by the Tariff Commission now sitting?

8. In view of the conflicting views likely to be expressed by members of this association in connection with this problem, are you in favour of a direct representation to the Tariff Board in the name of the Mining Association, or not?

9. If so, would you be prepared to give evidence before the Board?

INDIAN MINING ASSOCIATION.

The Tariff Board—Proposed Extension of Protection to the Steel Industry.

(Replies to Circular No. 118-R, of the 7th December 1923.)

A. ... ... 1922 raisings 77,689 tons.

1. No.

2. No.

3. (a) No.

(b) Yes.

(c) Yes.

4. (1) *Nil*, if control is kept within reasonable rates.

(2) This will not be affected if a fair competitive rate is kept.

(4) Some Government control should apply here.

5. Coal trade should not be affected if Government will assist Coal Companies by reduction of transportation charges.

6. This would be balanced by export trade gained.

7. Leave things as they are and open to healthy competition.

8. Yes.

9. No, all suggestions required should be given by the Association.

B. ... ... 1922 raisings 128,195 tons.

With reference to your circular No. 118-R., dated 7th instant, a representative of our Company has already tendered evidence both written and oral and it is not considered that any useful purpose would be served by duplicating this.

C. ... ... 1922 raisings 892,615 tons.

1. We consider that a prosperous indigenous steel industry is of the greatest importance to the Industrial development of the country. Whilst not going so far as to say it is necessarily vital, the position that arose during the war clearly demonstrated the enormous advantage to India and the Empire of a local steel industry, even in the stage of development it had then reached.

Provided that the State aid given is on a reasonable scale, and carries with it the right to some form of Government control, such aid need not in our opinion necessarily entail any serious increase in cost to the consumer, and there is no doubt but that a prosperous steel industry would be of considerable advantage to the Coal Trade.

2. We are in favour of the principle of "State aid" in "Key" industries if such assistance is found to be really necessary to save them from extinction.

3. Yes. Of the 4 alternatives given, we prefer (*b*) namely a State guarantee of a fixed return on the Capital employed as is done in the case of Railways.

In such a case, however, it would probably be necessary to obtain an outside and expert "Re-valuation" of the property and assets of the Industry and the Capital value thereof fixed. If necessary the existing "Book" capital values should be written down to agree with the "Re-valuation."

Such State aid connotes State control and this could be made effective by the appointment of a permanent Expert Government Director on the Board, and the employment of Government Auditors.

4, 5, 6. These three questions can be more conveniently taken together.

It must be obvious that State aid in any form must raise the cost to the consumer either by a direct increase in the price of steel or by a direct increase in taxation to meet the cost of such assistance.

As to what this would amount to it is impossible to say, but if the form of State aid outlined above were adopted the additional cost to the coal industry under the various headings given would probably be so small as to be negligible, more particularly having regard to the benefits the coal industry at present derives from the very large and growing consumption of coal by the steel industry.

In the words of the "questionnaire" should the steel industry collapse the loss of this market for from 1½ to 2 million tons annually might well prove "disastrous" to the coal market, coupled with the loss of the export coal trade owing to competition by bounty fed foreign coal.

7. No, other than to state that failing the adoption of the above suggested form of assistance in our opinion the increase of the present import duty from 10 per cent to 15 per cent. or even 20 per cent. would be far preferable to the extinction of the Indigenous Steel Industry.

8. Yes.

9. Yes, on the above basis.

D. ... ... 1922 rasings 27,956 tons.

With reference to your Circular No. 118-R. of the 7th instant the following are our replies to your Questionnaire:—

1. We are of the opinion that the maintenance of a healthy steel industry is vital to the interests of the coal industry.

2. We are in favour of assistance being given to the steel industry.

3. If it is decided to give assistance to the steel industry we would prefer it to be given in form of a bounty.

4. If such assistance is given in form of a bounty there will be very little if any increase in coal raising costs.

5. If the steel industry collapsed the loss of the present consumption of 1½ to 2 million tons per annum by that industry would be a very serious matter for the coal trade.

6. The effect on the selling price of coal in such case would be very bad.

7. We have no alternative to suggest and our views have already been given to the Tariff Board.

8. We think the Mining Association would give evidence before the Tariff Board.

9. We have already given evidence before the Board.

E. ... ... 1922 raisings 481,509 tons.

We find it a matter of some difficulty to accommodate our replies exactly to the questions submitted but beg to offer the following:—

1. The maintenance of a steel industry in India we regard as being most desirable tending towards establishment of reasonable industrial progress for the greatest good of the greatest possible number of India's population though we should hesitate to describe it as vital.

In connection with the coal industry in particular however we tend to the opinion that the maintenance and expansion of a number of large industries consuming coal are vital to the continuance and prosperity of the private-owned coal industries of India. Amongst coal consuming industries purchasing from private-owned collieries steel, iron and engineering trades must be considered as of great importance.

2. If after careful, impartial and expert examination it should be ascertained that the actual continuance of the existing steel industry absolutely depended on some form of State assistance, we should be inclined to support such a proposition.

3. Having regard to general considerations we would not support—

(a) Any system of prohibitive tariffs, or partially prohibitive tariffs.
(a) A "bounty" system.

(b) We would merely offer a suggestion that the necessity of some assistance being fully established, it might take the form of:—

x. State guarantee of a reasonable fixed percentage for a limited period on Capital actually sunk in productive works, such guarantee being subject to some form of control mainly Governmental but perhaps allied with representation of other industrial interests.

y. Fixed contracts for the supply of a reasonable quantity of steel material for Railways and other works of public importance at reasonable though remunerative rates to the Industry, such Contracts however to appy for a limited period, possibly 5/10 years.

4. We are of the opinion that coal interests would not suffer but on the contrary benefit from such assistance being given as outlined above but we are of the opinion that coal interests would suffer should prohibitive tariffs or heavy bounties be imposed implying dearer Steel, more costly Machinery, and other Accessories and that such increase in costs would—

1. Increase working costs.
2. And particularly increase capital costs especially in the case of new collieries and new installations necessary for the development of the coal trade.
3. Increase in "depreciation" cost would also follow.
4. It is likely that transportation costs would also be increased.

5. Admitting merely for the sake of argument the possible collapse of the existing steel industry, having regard to the fact that this Industry provides a present market for, say, 1¼ million tons of coking coal annually carried over short railways leads that such eventuality would be a very severe blow to the development of the coal trade must be admitted even though the coal so released being all of good quality should eventually find other markets.

6. The immediate effect on the selling price of coal would be likely to be serious particularly if consideration be given to the present loss of markets for Indian coal, *viz.*, Bombay and other Indian Ports, Colombo, Straits Settlements, etc., and the existing want of transport at competitive rates.

We are, however, unable to state whether such effect would be really disastrous or whether or not it would outweigh additional costs likely to accrue from the imposition of prohibitive tariffs or heavy bounties as the problem is one of great extent involving so many interdependent Industries and trade relations.

But we are of the opinion that if any special help should be given which would have the effect of increasing the present burdensome Railway Transport rates and also tend to restrict rather than improve the present inadequate Railway Transport facilities allocated to the coal trade, such effect coupled with the fact that the policy of Railway Administration implies continued acquisition and expansion of Railway-owned collieries and somewhat unsympathetic attitude towards the private-owned coal industry would be to this our private industry, "disastrous."

7. We are unable to put forward any other alternative as a possible solution of the problem.

8. At present there does not appear to us to be any particular necessity for a direct representation to the Tariff Board as in general we associate ourselves with the opinion of the Committee of the Bengal Chamber of Commerce which opinion has already been put forward.

9. Should, however, it be considered advisable and expedient to give evidence before the Tariff Board we would be willing to associate ourselves with the Committee of the Indian Mining Association in this connection.

F. ... ... 1922 raisings 320,519 tons.

Your circular No. 118-R., dated 7th instant, dealing with the proposed extension of protection to the steel industry, to hand. As members of the Association, we must express our regret at the delay which this important question has experienced. It is now many months since the Tariff Board invited the co-operation of the Indian Mining Association. The Tariff Board themselves spent ten weeks in Calcutta during September, October and November, and, in accordance with the request of several Associations who had not been heard by them, they returned to Calcutta last week, and are, we believe, leaving again to-day. It is only now that the Committee of the Indian Mining Association circularize members, and ask for their opinion on the subject. We propose to deal with your questionnaire, though we must admit that we do not like this method of reference. Questionnaires have of course been circulated before, but they have been questionnaires drawn up by the Commission or Committee or Board who were appointed, to make the investigation. In cases where no questionnaire has been issued, as in this case, then members are usually asked for their opinions, and are allowed to give them in their own way. In this case the Committee of the Indian Mining Association have drawn its own questionnaire, and have only asked the views of its members on these particular questions, which seem to us to have been framed with an obvious bias towards protection.

Question 1.—The maintenance of any healthy industry, steel or otherwise, is good for any country. We cannot say, however, that a steel industry is vital to India or to the Indian coal industry. Without the steel industry India would be no worse off than she was before. Steel is not a basic industry, to the same extent as coal, or the Railways or ports. Steel can

be procured from Europe with ease, and at prices which are only slightly above pre-war prices, and in quantities to the full extent of India's demands. Steel is not vital to the coal industry. Steel affects coal in two ways, (a) as a customer, (b) as supplying machinery, etc. The coal industry cannot at present supply India's own industrial demands, as nearly a million tons per annum of foreign coal are imported into Bombay. In addition to this, Bengal coal has lost practically all her export trade. For constructional and productive purposes steel from Europe is better and cheaper than Indian steel, and even if the steel industry is lost as a customer, which we do not think likely, there are other customers which have already been lost, and which are only waiting to be re-gained, *viz.*, the Bombay trade and the export trade.

Question 2.—We are not in favour of assistance to the steel industry, or any other industry in any shape or form.

Question 3.—(a) We have no great objection to a bounty system in itself. The danger is that if you once begin giving bounties, it is difficult to know where to stop. At the present moment we consider bounties out of the question, as the Government of India simply cannot afford it.

(b) This proposal amounts very much to a bounty, and the same remarks apply. We think it very misleading to compare the proposal to the case of State Guaranteed Railways as the two cannot, in our opinion, be justly compared. Steel can be imported, railways are essential.

(c) We are against any form of Tariff. We consider that a compromise, such as 15 per cent. or 20 per cent. would be almost worse than the 33⅓ per cent. demanded. The latter would certainly please the steel trade, and the former would please nobody.

Question 4.—This seems to be an attempt to get at figures which would be entirely misleading. We will content ourselves by saying that, in our experience, in the capital cost of a colliery, one-third represents steel and its products. This is increasing and is likely to increase as mechanical means are introduced to supplement labour. The proposed Tariff will add one-third to the cost of this, and this will be reflected in raising costs, by the increase in depreciation, and by an increase in the cost of repairs and renewals. Transportation costs need not be dealt with in our case by the Indian Mining Association. It is already dealt with by the Railways and by the Port Commission. Mention need only be made of the fact that every increase made by the Railways, or by the Port Commissioners, or through handling charges, all comes back on coal.

Question 5.—We do not admit for a moment that the steel industry is likely to collapse, if it is not protected. Tatas may have to reconstruct, or even go into liquidation, but that does not necessarily mean that the steel industry will come to an end. They have a magnificent property, and if it came into the market, we do not believe that the liquidator would have any difficulty in disposing of it. We have already heard of one big steel combine wishing to start in India. What better chance could they have than by buying up Tatas, if that concern went into liquidation. In our opinion, then, the chance of the coal industry losing the steel industry as a customer is too remote to be seriously contemplated. We will, however, answer the question by saying that if such a state of things ever came to pass, the effect might be unpleasant to begin with, but the drop in price would enable Bengal coal to compete more successfully with foreign coal in Bombay, and might enable us to re-gain some of our lost markets in Aden, Colombo and Singapore.

Question 6.—The answer is in the negative. A high selling price is not always a good thing for an industry, especially when it is accompanied, as it is at present, with accumulated stocks, difficulties of transport, and a falling off in output, which automatically increases the raising cost.

Question 7.—As we are opposed to State aid in any shape or form, we have no alternative to put forward. As we said before, the least objectionable from our point of view, would be a bounty, if money could be found for it.

Question 8.—The views expressed by members of the Indian Mining Association will presumably be either for or against protection of steel. We believe that the large majority will be against, as was the case with the Chamber of Commerce. We cannot of course expect all members to hold the same views on such a question as this, and we have no objection to a representation going into the Tariff Board giving the views of both sides, and explaining how many members were of one point of view, and how many were of the other point of view. This has already happened in the case of the Bombay Chamber of Commerce, and we have no objection to the Indian Mining Association taking the same course. We take a strong objection, however, to the Indian Mining Association saying nothing, as though their members held no opinion on the subject whatever.

Question 9.—We should be very willing to give evidence but unfortunately our Managing Agents have already appeared before the Board to give evidence on behalf of their various concerns, including this Company, and therefore we are debarred from appearing again.

G. ... ... 1922 raisings 798,590 tons.

Referring to your circular No. 118-R. of the 7th instant, we give below replies to the form of questionnaire set forth therein :—

(1) In our opinion a *healthy* steel industry would be a desirable asset in the industrial development of India, but we do not consider that an industry that requires anything in the nature of a 33⅓ per cent. tariff for its maintenance can be regarded as healthy and in any event such an Industry is not *vital* to the interests of the country generally nor to the coal industry in particular, for the reason that the country's requirements in steel need not necessarily be of Indian manufacture.

(2) We are not in favour of any assistance to the steel industry of the nature of import tariffs.

(3) We are not in favour of assistance being given in any of the forms indicated.

(4) Coal interests are likely to suffer to a material extent as a result of the adoption of any of the alternatives indicated in the questionnaire.

Transportation costs must necessarily be increased as a result of the higher charges that will have to be levied by Railways and Port Commissioners. Capital costs must be increased on account of the prices that will have to be paid for anything in which steel is used and this will result in larger allowances having to be made for depreciation. Raising costs will be similarly affected in consequence of the higher prices that will have to be paid for repairs and replacements.

(5 and 6) It is difficult to treat seriously even for the sake of argument the suggestion that the steel industry in India must necessarily collapse unless protection of the nature indicated in the questionnaire be forthcoming. It may be that the existing steel producers will have to reconstruct and reduce their capital at charge but we cannot contemplate the plants now erected in India being shut down for all time. If they had to be closed down even for a time, the consequent reduction in the consumption of coal would certainly react detrimentally on the coal trade which however would no doubt adjust itself to the altered conditions and find other outlets.

In our opinion it would appear to be inconsistent on the part of the Committee to advocate a system of State aid to the steel industry which must have the effect of increasing costs, while they are agitating for a material reduction on Railway freights and export charges, in order to regain the export trade which was in existence before the Indian steel industry became a factor in the trade of the country.

(7) We are not sufficiently familiar with the pros and cons to enable us to put forward alternative solutions of the problem which the Tariff Commission have been appointed to consider.

(8 and 9) We are in favour of a direct representation being made to the Tariff Board in the name of the Indian Mining Association and consider that a representative member should be selected by the Committee to give evidence before the Board, if desired.

H. ... ... 1922 raisings 1,453,980 tons.

1. No, and not coal particularly.

2 and 3. Suggest bounty for first five years.

4. (1 and 2) Increase in both.

(3) A larger amount from profits would require to be set aside

(4) Would be more expensive.

5. Would regret loss of a market but consider if protection afforded the increase in raising costs would be more than the already heavily burdened industry could stand, in fact it increases the difficulties when meeting foreign competition.

8. Not in favour.

9. No.

I. ... ... 1922 raisings 258,999 tons.

We are in receipt of your circular No. 118-R., dated 7th December, in the above connection and now append our replies to the questions therein.

1. We consider that the maintenance of a healthy steel industry in India is in the interest of the country as it is in the interest of any country.

2. We are not in favour of assistance in any form being granted by the State to the steel industry.

3. We are not in favour of assistance in any form being granted by Government to the steel industry.

4. We are of opinion that if further protection is extended to the steel industry

(1) Raising costs would undoubtedly be increased. The price of imported steel would rise to the extent of the protective duty and the price of Indian steel would be raised to, if not the same level, a rate only slightly lower.

(2) Capital costs would naturally be increased owing to the rise in price of steel. The capital expenditure of Companies desirous of extending their properties would be considerably greater if a protective duty were introduced.

(3) Allowances for depreciation would have to be increased owing to the increased cost of renewals.

(4) Transportation costs would be increased due to the rise in price of steel and the consequent necessity for the Railways to raise the rates of freight to meet the heavier cost of upkeep of rolling stock, permanent way, etc.

5. In the event of the complete collapse of the steel industry a certain reduction in the price of lower grade coals might result. The demand for first class coal is in excess of the supply. It must be kept in view that the present annual consumption of the steel industry is 1½ to 2 million tons as compared with total average output of 18 to 20 million tons.

6. We do not consider that the effect on the selling price of coal would be anything like so disastrous as the effect of a protective duty of 33⅓ per cent. on steel would be on the whole industry.

7. We are entirely opposed to State aid in any form.

8. We are in favour of a direct representation to the Tariff Board by the Mining Association.

9. We consider that the evidence before the Tariff Board should be given on behalf of the Mining Association by a member chosen by the Committee

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preferably by a representative of a firm managing a considerable number of collieries of different classes.

J. ... ... 1922 raisings 28,804 tons.

With reference to your circular No. 118-R. of the 7th instant, *re* protection to the steel industry, we beg to say, we are of opinion that until and unless, the steel factories, here, assure to work their factories, purchasing Indian coal the Association should lodge no protection in its favour as the coal industry is the mother of all industries and it is essential that in first point the coal industry must be protected. Further by giving protection to the steel industry, undoubtedly our raising cost will be increased as the prices of hardware materials will jump up which please note.

K. ... ... 1922 raisings 595,121 tons.

With reference to your circular No. 118-R., dated 7th December 1923, I beg to enclose for your information a copy of my replies to the questionnaire of the Tariff Board regarding steel and wagon building industries and to say that I do not think I can usefully add anything to it.

L. .. .. 1922 raising 205,290 tons.

1. While admitting that a healthy steel industry in India would be beneficial, we do not think it vital to the interests of the country generally or to the coal industry in particular.

2. We are not in favour of assistance being given to the steel industry.

3. Our reply to No. 3 answers this question, but if for imperial reasons it is considered necessary to give some assistance to the industry, we consider that either (*a*) or (*b*) would be less harmful than (*c*).

4. It is difficult to say to what extent coal interests are likely to suffer, if any of the alternatives mentioned under No. 3 are adopted, but they would suffer

(1) in increased raising costs

(2) in increased capital costs

(3) in increased depreciation

(4) in transportation costs.

5. If the steel industry were to collapse the coal freed thereby would be absorbed in other directions, particularly if we can recover the export trade again, and although this might temporarily tell somewhat against prices in a depressed market it would not be felt in an active market.

6. No.

7. No.

8. Yes.

9. We personally are not prepared to give evidence before the Board, but would suggest that one or more members of the Committee be selected to do this after having duly considered the views of members and come to a decision in the matter.

M. ... ... 1922 raisings 1,120,352 tons.

N. ... ... 1922 raisings 708,269 tons.

We beg to reply to your circular No. 118-R. of 7th December, the writers of letter M associate themselves with our remarks.

(1) The maintenance of a healthy steel industry is in our opinion of the greatest importance to the coal trade. In all countries so far as we are aware coal and smelting trades go so much hand in hand that the prosperity of either is synonymous. At the same time we would remark that an industry which requires anything in the nature of a 33⅓ per cent. tariff to maintain its existence can hardly be regarded as healthy.

(2) Yes.

(3) (a) We consider bounties outside all practical politics in the present condition of the finances of the Imperial Government.

(b) We do not think this is practicable.

(c) We are of opinion that a lower rate than that suggested would meet the case.

(4) We consider that coal interests are likely to suffer to a certain extent in increased raising costs, etc., but we are of opinion that the collapse of the steel industry would be much more disastrous to the coal trade.

(5) If we premise that the steel industry may collapse the result would in our opinion be disastrous to the Jherria field where the coking coals are won, but it is difficult to treat seriously even for the sake of argument such premises. We cannot contemplate plants such as have now been erected being shut down indefinitely although it is possible re-construction may become necessary.

(6) Again, if we premise the collapse of the steel industry, our answer is in the affirmative.

(7) No.

(8) Yes.

(9) No.

General.

We submit the questionnaire postulates to a certain extent that, unless protection is given, the existing steel works will cease to exist.

We incline to the opinion that the existing steel works are over capitalised and have been extravagantly run. In our opinion it would be bad business to bolster up such concerns to the extent of the enormous tariff indicated.

No. 52.

Burma Electric Tramways and Lighting Company, Limited.

Written Statement, dated 26th November 1923.

I have the honour to request your Board to consider the adverse effects of an increased tariff on steel and iron as regards electric lighting and Tramways undertakings.

(1) In the first place a large amount of material used by Electric Companies is of a special character and could not be made satisfactorily in India probably even with the help of a duty, such as for example lighting and tramway poles and steel tramway rails.

(2) The increased cost of lighting poles if a duty be imposed would have to come from the consumer and the increased cost of tramway poles and rails would mean either (a) increased fares, or (b) extensions of tram lines would have to be given up owing to excessive capital outlay. Both of these would throttle the development of tramways and electric lighting in outlying districts.

(3) Both lighting and tramways are in the nature of public utilities, often supplied at very little more than bare cost, and in consequence any increase in the cost of providing the service required naturally bears very hardly on both the public and the undertaking supplying the commodity whether the undertaking be owned by a Company or a Municipality.

(4) I have, therefore, to request that due consideration may be given to this important aspect before any steps are taken to increase in any way the present Customs duty on iron and steel or on machinery.

No. 53.

The Madras Electric Tramways (1904).

Written Statement, dated 27th November 1923.

We have the honour to enter our emphatic protest against the placing of any additional Customs import duty on manufactured iron and steel goods.

We are in control both of the Electric Tramways and the Electric Supply in Madras, and, during recent years, have been considerably hampered by increased prices of nearly all stores necessary for the maintenance of our undertakings.

When it is borne in mind that steel in one form or another is used in almost every industry, it is obvious that a large increase in import duties thereon must have the effect of causing an increase in the cost of all articles manufactured in India. We endeavour to purchase goods locally whenever possible, and our running and maintenance expenses would, therefore, naturally increase.

Such articles as tramway rails and steel tyres for tram car wheels are not procurable in India, so far as we are aware. At present we import such materials from England, and they are fully double their pre-war price. If to this is to be added a large protective duty (we understand that as much as 33⅓ per cent. has been suggested) it will mean a further large addition to our costs. For instance, we recently laid a tramway extension of about one mile and a quarter, and the rails, fishplates, tie bars, etc., imported for this work amounted in value to approximately Rs. 3,00,000. On this, under existing conditions, Rs. 30,000 is payable as import duty, but under the suggested protective tariff, this would be increased to Rs 1,00,000. Such heavy expenditure is more than we could possibly bear, and still maintain our present charges for electric current and tramway fares. The only thing for us to do would be to increase both our charge per unit for electricity supplied and our tramway fares, and, as the protective tariff would have already increased the general cost of living, these would come as additional burdens on the general public.

We do not consider that it is possible to make out any case for the suggested increase in import duties. The people who are asking for it presumably did not establish iron and steel works in India from philanthropic motives. It was not their foremost desire to find remunerative employment for Indian workmen, nor had they chiefly in mind the desirability of making India independent of the outside world, for her supply of iron and steel goods. They were business men, and, in our opinion, they anticipated that, with the cheap labour obtainable in India, they would be able to turn out their manufactures at a less cost than similar articles could be imported, and thus capture the market and make a handsome profit. For reasons which we cannot quite fathom, this has not been the case, and the imported article is still cheaper than that made in India. It is not merely a case of Continental firms "dumping" goods in India at low prices, which are rendered possible by a debased exchange; but even England and America, in which countries wages are far higher than here, can also send goods to India, which can be landed and sold at less than the local manufacturers can turn out similar articles.

To sum up, it appears to us that, although a protective duty might have the temporary effect of restoring the business of the individuals protected, it could not have any long lasting effect. A business which needs such help must have further defects, which require investigation. An undoubted effect of the protective tariff, however, would be to raise the cost of living for every one in India, which appears to us to be a state of affairs most strenuously to be avoided.

No. 54.

The Calcutta Tramways Company, Limited.

Written Statement, dated 12th December 1923.

Enclosed we beg to forward you, on behalf of this Company, a Statement of Objections to the proposed protection to the indigenous steel industry of India, which we shall be glad if you will place before the Tariff Board.

To

The Tariff Board.

Appointed to enquire into the desirability of according protection to the indigenous steel industry of India and of imposing duties on imported steel, etc.

Statement of Objections of the Calcutta Tramways Company, Limited, to the proposals to enforce the protection and duty abovementioned.

1. The objectors are a limited liability Company incorporated in England under the Companies Acts in force there, and carrying on business in Calcutta, under the powers contained in certain special enactments of the Indian Legislature (hereinafter called "the Company").

2. The Company operates and maintains the whole of the electric tramway service throughout Calcutta and Suburbs and Howrah, consisting of 35 miles of double tramway track. The present maximum number of trains running daily in Calcutta is 195 whilst Howrah is served daily with a further 18 cars. For the purposes of the undertaking, large quantities of iron and steel and other metals and iron products are constantly required for the construction and maintenance of the permanent-way, rolling stock, generating plant and miscellaneous equipment. The Company is, therefore, vitally interested and concerned in any increase in the price of steel and iron or other iron products.

3. The Company claims that the proposals for the imposition of a higher duty on imported steel would materially and seriously hamper the Company and have disastrous effects on the Company and general public.

4. Any increase in the price of steel caused by the imposition of additional import duties on steel or iron is likely to retard the maintenance and extension of the tramways in Calcutta and Howrah.

5. If the suggested increase of the import duty on steel and iron should materialize, the price of steel and other iron or steel products in India would be increased to such an extent as to add very seriously to the capital and revenue expenditure of the Company, and would probably necessitate the Company having to increase the tramway fares and thus affect the poorer classes in Calcutta.

6. It is anticipated that the Company's finance would also be materially impaired.

7. The Company import annually steel products consisting of rails and fastenings, steel tyres, wheels, axles, etc., to an approximate amount of Rs. 2,78,900. The imposition of the suggested duty would impose a further revenue expenditure of approximately Rs. 92,973 per annum. As regards capital expenditure, this will necessarily depend on the further development of the Company in the way of extensions for which there is an urgent demand. Such expenditure will, of course, be similarly enhanced by the increased cost of new construction which must necessarily follow the suggested protection of the indigenous steel industry.

8. At the present time the Company uses a special type of steel rails (British Standard Section No. 7) in connection with the construction and

maintenance of the permanent-way for the manufacture of which no plant exists in India, and it is extremely doubtful whether it would pay any steel manufacturing concern to instal the necessary plant for rolling steel rails of the required section owing to the comparatively small demand in this country.

9. Generally the Company object to any such protective tariff on economic grounds as the Company feels that it would seriously affect the development of Indian industries and would be a greater hardship on the poorer classes throughout the whole country.

12th December 1923.

No. 55.

East Bengal River Steam Service Ltd.

Written Statement, dated 6th October 1923.

In compliance with the press communiqué issued on the 17th July 1923, we have the honour to submit the following opinion on the proposal to extend protection to the manufacture of steel in India.

While admitting the importance of the steel industry for purposes of national defence as shown in the Report of the Indian Fiscal Commission (para. 59) we are of opinion that the excessive duty on imported steel will prejudicially affect almost all the industries in a country where industrial development is urgently needed.

The Tata Iron and Steel Company have put forward their claim to protection and have asked that the rate of duty on imported steel should be raised from 10 to 33⅓ per cent. But they obviously overlook the fact that the raising of this duty will have an injurious effect upon other industries for which steel is an important raw material. This important aspect of the question should not be lost sight of.

The duty has already been raised to 10 per cent. and most industries will not be able to bear a further advance of duty on steel. And we are emphatically of opinion that it is vital to the interest of some industries that the duty should be abolished altogether.

The pre-war price of steel was Rs. 5 to Rs. 6 per cwt., and at the present time it stands at from Rs. 9 to Rs. 10. But we have reason to hope that with the return of normal conditions the price of steel will come down almost to the pre-war rate.

If the duty is raised to 33⅓ per cent., Great Britain and other European countries will be able to build ships at a cheaper price than India as they will escape the Indian duty altogether; and the chance of our developing the ship-building industry in India will be lost. At present inland vessels are being built here and we ourselves are building them in our dock. If the duty on steel is raised, it will not be possible to build them here, as big inland vessels which can come on their own steam will be built in Europe and Indian builders will not be able to compete with Europeans. Thus instead of encouraging the ship-building industry here, it will go to put a stop to it altogether. The importance of the ship-building industry for purposes of national defence cannot be ignored. At a time when the Indian Mercantile Marine Committee are enquiring into the prospects of, and devising means for, the development of the ship-building industry in India, a spoke should not be driven into the wheel of progress by raising the duty from 10 to 33⅓ per cent.

If the Government want to help the development of the steel industry in India, they should adopt other measure, *viz.*, reduction of railway freight and placing orders for Government requirements as far as possible in India, etc. But in no case should the duty on steel be raised. On the

other hand, we are of opinion that the duty on steel required for ship-building and similar industries in which steel forms the chief material and machinery may be abolished altogether.

It is a matter of surprise that the Tata Iron and Steel Company have not disclosed their cost of production, but have asked for an increase of duty. This is hardly fair. They have made enormous profits during the war and built up a large reserve. Under the circumstances, it is hardly fair for them to expect a return of 15 per cent. on their capital and thereby injure the interest of other industries. In a country where industrial development is urgently needed, the steel industry should be content with a very reasonable profit on the capital outlay.

We beg to impress on the Board the necessity of providing cheap materials for the ship-building and cognate industries in India and hope the duty will not be raised to benefit one industry at the cost of others.

East Bengal River Steam Service Ltd.

Written Statement, dated 13th October 1923.

With reference to your letter No. 397, dated 10th October 1923, we beg to enclose herewith our replies to questionnaires sent to us for consideration.

1. The raising of the duties of imported steel will greatly interfere with our business both as a Shipping Company and also as an Engineering Works.

2. In our East Bengal Engineering Works inland vessels and barges are built of which steel forms the principal part. Besides this we do other outside works for which steel forms also the principal raw material.

3. We use mostly mild steel plates, angles, tees, rounds, flat bars, rivets, bolt nuts and corrugated iron sheets and pig iron. The quantity depends on the volume of the work we have in hand. For the years 1922 and 1923 we used about 600 tons of mild steel.

4. It depends on the nature of the work. For flats and barges the cost of steel will be about 50 per cent. of the value of the vessels and for other works the cost of materials is much less in proportion to the value of the finished articles.

5. Mild steel plates, angles tees, etc., used by us are mostly imported goods while the pig iron used by us is wholly of Indian manufacture.

6. The approximate outturn of our works for the last 2 years will be about 7 to 8 hundred tons a year and for 3 years preceding this period it was less on account of slump in business.

7. We build flats and steamers for our own use, and sometimes for outside orders. But none of our products are exported. We also do lot of works for local jute presses and other industries.

8. No.

9. None.

12. No.

No. 56.

Messrs. The British Burmah Petroleum Company.

Written Statement, dated 24th October 1923.

I am instructed by the Directors of the British Burmah Petroleum Co., Ld., and the Rangoon Oil Co., Ld. (of which the former Company are the Managing Agents) to refer to the evidence put before your Board advocating legislation involving a considerable increase in the tariff (up to 33⅓ per cent.), on iron and steel products imported into India and I am to state that my Directors emphatically protest against any such increase as indicated, particularly if applied to material used in the Oilfields and Refineries of Burma.

The broad grounds of our protest are:—

(1) The manufacturers in India in our view cannot provide the special material required in the petroleum industry. Such material includes well-casings, piping of large size, well-drilling tools and appliances, plates for storage tanks and oil-stills together with pumps and valves of special design. These items represent a large percentage of the cost of an oil company's operations. Other materials are drop and die forgings for special work, engines and electrical plant, which cannot be obtained in India or Burma.

(2) The oil industry, comprising exploration, production and refining work, requires special appliances peculiar to the industry, much of which is manufactured under patents. Other materials in general often require specialized experience, training and facilities for producing them. Such have not been considered or even thought of in India as yet and it would take years to acquire the standard now attained by existing suppliers.

(3) In our experience such material as is manufactured in India or Burma is inferior to that obtained from Great Britain or America.

(4) A tariff increase or form of bounty will tend to encourage a monopoly in this special industry, placing it in the hands of the strongest financial corporation to the ultimate detriment of the industry.

(5) Our companies are burdened with continually increasing costs of operation and onerous charges in respect of Royalty and Excise dues some of which have been increased by recent legislation.

(6) An increase in the cost of producing petroleum products must ultimately be borne by the consuming public in India and Burma, who now benefit from prices lower than those in most other countries because of the manufacture of these products in a province of India, and further such higher prices will tend to restriction of trade.

(7) India and Burma are two distinct countries demanding individual consideration, and legislation on the lines advocated can only react, we believe, disadvantageously in Burma.

On the above grounds therefore, my Directors cannot do otherwise than regard with grave apprehension the addition of further burdens upon our business such as must inevitably result from the introduction of legislation on the lines demanded by the steel interests in India, and we strongly urge that our contentions should receive careful consideration by the Tariff Board before submitting its recommendations to the Government of India.

Letter from the Tariff Board, to Messrs. The British Burmah Petroleum Company, dated 6th November 1923.

With reference to your letter No. B.-1419, dated the 24th October 1923, I am directed to say that the Tariff Board would be glad to have information from the British Burmah Petroleum Company on the following points:—

(*a*) If a capital expenditure of, say, Rs. 10 lakhs is being incurred in the sinking and equipping of new oil wells and in the necessary pumping, storage, and distilling plant and other accessories, what would be the quality and value of the steel or steel work used and in what form would the steel be bought by the company?

(*b*) When the above plant was in full operation what would be the average annual expenditure on steel and steel work for operation, maintenance and repairs and what forms of steel would be used? What ratio would this bear to the total annual expenditure on operation, maintenance and repairs?

2. Such steel as may form constituent parts of engines, special appliances, electrical and mechanical plant and machines, pumps, etc., should not be counted as steel for the purpose of the questions referred to above. What the Board particularly would like to know is the consumption of steel in the forms in which it is entered in the present Tariff Schedule under the heading "Iron and Steel." Welded or weldless steel pipe or tubing should be reported separately from pipe built up of plates or sheets.

3. With reference to the statement in paragraph 3 of your letter, *viz.*, that steel manufactured in India is inferior to that obtained from Great Britain or America, I am to request you to give particulars of the alleged inferiority stating when the steel was purchased, whether it was purchased direct from the Tata Iron and Steel Company and whether it was of British standard quality with a Government certificate.

Letter from Messrs. The British Burmah Petroleum Company, Limited, dated 31st December 1923.

We have the honour to refer to your letter No. 515, dated 6th November 1923, asking the British Burmah Petroleum Company, Limited, to furnish certain information concerning their expenditure on steel products, and we now reply to the questions put forward as far as we are able.

Introductory.—Paragraph 1 (*a*) takes a hypothetical capital of Rs. 10 lakhs to be incurred in sinking and equipping new oil wells and in establishing a distilling plant, or refinery; that is, in initiating and establishing a complete oil-producing business, but such capital, of course, would be very inadequate for the operations involved in the question.

Thus, an expenditure of Rs. 10 lakhs in establishing an oil field would only meet the average cost of five of our wells, and many times this number of wells is required. A refinery, of the smallest size to be a commercial proposition would probably cost Rs. 15 lakhs to instal. An oil-producing Company may or may not possess its own refining plant and such plant is seldom located in the oil field but is practically an independent self-contained concern.

In drawing up the following statements of costs we have, therefore, treated the oil field and the refinery separately assigning to each a supposed capital expenditure of Rs. 10 lakhs. The figures are obtained, as far as possible, from the expenditure incurred by this Company, reducing the total to Rs. 10 lakhs and the various items in proportion.

Paragraph 1 (*a*), Part I. Rs. 10 lakhs capital expenditure in establishing and equipping 5 wells involve the following items of steel:—

Rig Irons, Drilling Tools, Steel Cables, Steel Casing and Shoes, Tank Plates, Pump Tubing, rods, etc.,	Total Cost. Rs. 3,78,000 or 37·8 per cent.

Workshop equipment is not included in the above figures. This would comprise various special machines of manufactured steel, many of which can only be obtained from the United States, motive power plant, etc. For this an additional Rs. 1,27,000 would be required. The balance of the Rs. 10 lakhs would include engines, boilers, pumps, electrical plant and building materials other than of iron or steel, administration, etc.

The drilling tools are of steel and all are very special in design and manufacture. Steel casing is a special lap-welded tubing. Rig irons are partly of cast iron and partly of steel and cast steel. Steel cables are of a very special type and manufacture. Pump tubing rods, etc., are also a speciality of the oil business. Tanks are built of shaped steel plates and are often of very large capacity such as one million gallons and over. They are obtained from firms specializing in the manufacture of large sizes.

Most of the above material is imported from the United States and very much of it is not obtainable in England.

Part II. Rs. 10 lakhs capital expenditure in establishing a refinery.—Analysis of the costs of building a refinery shews that approximately 70 per cent. of the total cost of typical refinery plant is on account of imported material coming under the heading "Iron and Steel" in the Tariff Schedule, comprising:—

Steel sheets, fabricated for tanks, Stills, etc. Steel beams, channels, sections, etc., usually unfabricated, W. I. pipes, lap-welded for steam and oil, W. I. sheets for buildings, C. I. pipes for water, Tool steel and miscellaneous fabricated steel,	Total Cost. Rs. 7,00,000 or 70 per cent.

No. 57.

Letter from the Executive Member, Messrs. John Taylor & Sons' Committee, Oorgaum, South India, to the Secretary, Tariff Board, dated the 25th October 1923.

Under instructions from Messrs. John Taylor & Sons, London, Managers of the several gold mines on the Kolar Goldfield, Mysore State, I have the honour to hand you herewith a reply to the questionnaire which you recently issued together with a general submission on the general position as it affects the mines.

I shall be pleased to endeavour to supply such further information as may be called for.

Reply by Messrs. John Taylor & Sons' Committtee on behalf of the Gold Mining Companies operating on the Kolar Gold Field. Mysore State. to the questionnaire drawn up by the Indian Tariff Board in connection with their enquiries into the steel industry.

Questionnaire.

Questions.	*Answers.*
1. The proposal which has been put forward by the Tata Iron and Steel Company, is that the duties on imported steel should be raised from 10 to 33⅓ per cent. Do you consider that the adoption of this proposal would adversely affect the operations of your firm and if so to what extent?	Yes, and reference is invited to the explanations given in the accompanying submission
2. What are the principal products manufactured by your firm for which steel is a necessary raw material?	Gold Mining
3. State approximately the kinds of steel, and the quantity of each kind, required by the firm annually for the manufacture of their products.	Refer to the submission and the accompanying schedule.
4. What proportion does the cost of the steel bear in the case of each product to the total cost of the finished article?	
5. What is the approximate Indian consumption of each product, and what proportion of that consumption is (*a*) imported or (*b*) manufactured in India?	In view of India being a steady importer of gold it may be said that the whole of the mines' output is consumed in the country.
6. What was the actual outturn by your firm during each of the last five years in the case of each product and what is the maximum outturn of which your plant, as at present organized, is capable?	The value of gold produced during the past 5 years has been as follows:— Rs. 1918 . . . . 26,292,321 1919 . . . . 25,737,720 1920 . . . . 26,148,553 1921 . . . . 29,962,374 1922 26,821,275
7. Who are the principal consumers of the articles produced by your firm and for what purposes are they used? Are any of these products exported from India at present and if so to what extent?	......
8. Are any of the products of your firm used as the raw material for any other industry, and if so of what industries?	

Questions.	*Answers.*
9. What foreign competition (including for this purpose competition from the United Kingdom or other parts of the Empire) do the products of your firm have to meet—	
(a) in the Indian market,	
(b) elsewhere?	
10. Do you consider that, in accordance with the principles laid down by the Fiscal Commission in paragraph 97 of their report, the circumstances justify the grant of protection to any of the products (of which steel is the principal raw material) produced by your firm—	
(a) if the duties on steel were to remain unaltered, or	
(b) if the rate of duty were to be increased to 33⅓ per cent.?	Refer to the submission for reasons why the gold industry should be protected from damage caused by an increase of the duty to 33⅓ per cent.
11. If protection is considered necessary in the case of any product at what rate and in what form do you consider it should be granted?	......
12. Does the industry in which your firm is engaged ever suffer from dumping so far as those products are concerned for which steel is a principal raw material?	...

John Taylor & Sons' Committee,

by (Illegible),

Executive Member.

On behalf of
- The Mysore Gold Mining Co., Ltd.
- The Champion Reef Gold Mines of India, Ltd.
- The Ooregum Gold Mining Company of India, Ltd.
- The Nundydroog Mines, Ltd.
- The Balaghat Gold Mines, Ltd.

Submission by Messrs. John Taylor & Sons' Committee on behalf of the Gold Mining Companies operating on the Kolar Gold Field, Mysore State, in re the application by the Tata Iron and Steel Company for an increase in the rates of duty on imported steel.

1. The five Gold Mining Companies represented by this Committee have been in constant operation over a period of many years. They have produced within that period gold to the value of £58,000,000 sterling and their present output is at the rate of about 370,000 oz. fine gold per annum, value at present price of gold say £1,665,000 (approximately 2½ crores of rupees).

2. The mines give employment to over 22,000 men and are the centre of an established and prosperous community.

3. The Government of Mysore draw direct revenue from the mines in the form of Royalties to the extent of about Rs. 14,50,000 per annum, and income and super-tax for the current year will amount to a further Rs. 9,00,000. The Government also receive indirect revenue from the sale of electrical power and water, the annual gross receipts from the mines amounting to Rs. 25,00,000 per annum.

4. The mines have paid substantial dividends to their shareholders over a long period but in recent years and more particularly during the last decade the profits have been seriously diminished. The industry has reached a stage where despite the utmost technical skill profits have been reduced to a minimum considerably due to the high cost of mining contingent on the great depth at which operations are now conducted. A most stringent "economy" campaign has been enforced for the past two years but although it has been attended by considerable success, in that the high costs of the later war stage period have been reduced, a return to the pre-war level of costs cannot be looked for.

5. Of the total cost of mining two-fifths is represented by the cost of materials and particulars of these are given in the attached schedule. Many of the items are of a special character or quality such as, electrical hoisting plants, motors and accessories, high speed compressors, wire ropes of the very finest quality, drill steel of the highest grade, battery materials, etc.

6. The items are grouped in a manner to indicate the proportion which would be affected by an increase in the duty on imported steel and it will be seen that it amounts to an annual sum of Rs. 11,25,000. The present rate of duty is 10 per cent. and the proposed increase would, therefore, represent a direct increase in cost to the mines of some Rs. 2,62,500 per annum.

7. These figures are exclusive of machinery and plant, amounting to an annual outlay of some 15 lakhs of rupees upon which the present rate of duty is 2½ per cent. and which it is presumed will remain unaltered. The price of high class machinery is already almost prohibitive and any increase in the duty which might ensue as a consequential result of a large increase in the duty on steel, would be of the gravest import, particularly in view of the need for a constant expenditure under this head if efficiency is to be maintained.

8. A further additional cost which the mines would have to expect to face is an increase in railway rates which are already oppressively high. It is difficult to avoid this conclusion in view of the large part which iron and steel play in the cost of railway working.

9. Any extra cost of railway freight would not only be felt in its effects on the cost of imports but also in the extra cost of obtaining delivery of materials purchased in India. Coal and timber are important items of mine consumption and are both bought in India, and whilst it is difficult to assess what the total direct and indirect cost of rail freight amounts to, it can safely be estimated at over Rs. 9,00,000 per annum. An addition of even 10 per cent. to this cost would amount to Rs. 90,000.

10. The mines are so placed that these additions to cost will be unavoidable, in that the machinery and articles used are essential and of a character and grade which, except in the case of a few minor items, cannot be manufactured in India. There would be no recoupment from any enhancement in the price or demand for their only product, gold, and the whole of the extra cost would, therefore, go to directly reduce profits.

11. In the gold mining industry, any dimiaution of profit-earning capacity not only affects shareholders' dividends, but it tends more rapidly than in the cases of other industries to discourage any effort which might be made to continue working with a view to waiting for better times. Gold is still at a slight premium, but it can only be assumed that the price will continue

to slowly fall until the normal or standard value has again been reached. On the credit side, therefore, the future holds out no promise, whilst as regards cost a position has been disclosed which indicates little likelihood of further reductions.

12. If it should, therefore, happen that with the imposition of new burdens profits are still more reduced or are caused to disappear altogether, the effect would be far-reaching in that there would be no encouragement to attempt to continue to develop the business. A process of gradual liquidation would then ensue and the value of the deeper gold deposits of these mines would be irrevocably lost.

13. It is submitted that the possibility of such a consequence with its accompanying loss to the whole country of the benefit of a gold production approaching two million sterling per annum cannot be viewed with equanimity and if the Tata Iron and Steel Company should be successful in their application for assistance, it should be given in a manner whereby permanent damage will not be caused to an existing industry of proved and long benefit to the State. Alternatively, assistance should be granted to the gold mining industry according to the measure of the damage caused.

14. It may not be considered desirable to discuss alternative suggestions within the scope of this submission but reference may be conveniently made to two alternatives the adoption of either of which would go some way to remove the mines' present fears:—

(a) The application of a system of differentiation whereby those essential articles which have to be imported and which cannot be manufactured in India will be exempted from duty.

(b) The substitution of a bounty on production in place of the increased import duty demanded.

John Taylor & Sons' Committee

by (*Illegible*),

Executive Member.

On behalf of
- The Mysore Gold Mining Co., Ltd.
- The Champion Reef Gold Mines of India, Ltd.
- The Ooregum Gold Mining Co. of India, Ltd.
- The Nundydroog Mines, Ltd.
- The Balaghat Gold Mines, Ltd.

OOREGUM,

25th October 1923.

SCHEDULE.

Particulars of cost of materials consumed in the year 1922.

1. *Iron and steel and their products—*

(a) Bearing an existing duty of 10 per cent.

	Rs.
Bolts and nuts	32,422
Nails and screws	17,417
Pipes and fittings	2,60,726
Rails	46,106
Ropes, wire	2,07,424
Steel and iron	2,51,352
Steel drill	1,10,079
Various (say)	1,99,474
	11,25,000

(23½ per cent. additional duty = Rs. 2,62,500.)

(b) Bearing an existing duty of 2½ per cent.

	Rs.
Electrical goods	72,897
Liners, tube	40,216
Machinery, etc.	12,51,805
Rock drills	1,38,929
Shoes, dies, etc.	1,00,402
	16,04,249

2. *Other items*—

	Rs.
Belting	67,781
Building supplies	2,96,304
Candles	2,28,103
Chemicals	48,001
Coal	13,71,084
Coir matting, etc.	15,659
Coke	36,829
Cyanide	6,47,376
Explosives	9,89,740
Firewood	45,163
Hydrochloric acid	37,360
Lime	77,682
Liquid fuel	26,537
Lubricants	1,51,173
Mercury	15,789
Ropes, manila, etc.	26,441
Timber	13,16,803
Zinc	43,779
Various	4,66,071
	59,07,675
TOTAL	86,36,924

No. 58.

The British Indian Electric Committee, London.

Written Statement, dated 29th November 1923.

The British Indian Electric Committee which represents the large Electric Supply and Tramway Companies in India, had their attention drawn to the proposed increase in the Indian import duty on steel. After discussing the matter very fully, my Committee instructed me to cable to you in accordance with the enclosed confirmation.

I am instructed to draw your attention to the following points in support of the enclosed message.

The undertakings which we represent are for the use of the public. The rates charged for electricity and the fares charged on the tramways are placed under legal limits. These limits are necessarily based on the earning power of the undertakings so as to admit of a fair, but not exorbitant, profit.

The use of steel enters very largely into the construction of the works for both tramways and electric supply undertakings. In the case of tramways, steel is used not only for the rails but also for the overhead line equipment and for the trucks and frames of the cars.

As to the electric supply undertakings, I have to point out that, in addition to the steel used for engines, boilers and electrical machinery, the tendency in these days is to provide steel buildings also and, in a modern power station, steel is coming more and more into use in connection with chimneys, flues, forced draught arrangements. coal and water storage and handling. Modern condensing plant, requiring as it does very large quantities of cooling water, calls for the use of steel pipes of large diameter and often of considerable length.

A great part of the steel work above referred to is of very special construction. It is designed in conjunction with the design of the generating plant and it cannot readily be constructed in India.

In the distribution of electricity, the use of steel poles is a large item in the cost of the mains.

My Committee fully realise that their undertakings already receive preferential treatment as, for instance, in the duty on prime movers and high pressure apparatus. They respectfully suggest that, if any increase be made in the tariff on steel, they should receive a like preference in regard to their imports of that material.

My Committee feel sure that the authorities in India fully realise the importance of a cheap supply of electricity for power purposes in connection with the encouragement of industrial enterprise in India.

No. 59.

The Indian Galvanizing Co., Ltd.

Written Statement, dated 28th January 1924.

From the trend of certain evidence as reported to have been given to the Committee, it would appear that a discrimination may be urged between the rates of duty leviable on plain ungalvanized material and the same products galvanized.

It is recognised that the imports of galvanized sheets into India form a large proportion of the total steel imports and that as the Indian steel industry does not apparently contemplate the manufacture of this material in the near future, no benefit to the industry would result from the increase of import duties on such sheets.

If, however, the duties on black sheets are advanced while those on galvanized sheets remain unaltered, the effect will be to severely handicap this Company's activities with the probable result that it will be unable to continue its existence. As a new industry which given fair play fully expects to be able to make good without asking for high protective duties, we feel that we have every justification in urging that any enhancement in duties brought into force in order to assist certain industries should be arranged so as not to injure others, even if the latter may be considered relatively small and unimportant.

In this connection, it may be pointed out, that for shipbuilding, ship repair work of any description and in certain other contingencies, a galvanizing plant is essential to engineering concerns, but that no galvanizing company in this country could possibly maintain itself on the limited amount of such work offering. Hence for successful operation, any galvanizing concern in this country must also manufacture galvanized articles, to which aspect we would now draw particular attention.

It is well known that galvanized articles to be regarded as a first class product comparable with imported articles must be first manufactured and galvanized subsequently, hence the raw product must be black ungalvanized material which is generally in the form of sheets.

For first class articles of this description there are important demands for Government, the Railways and leading industries, but at the same time there is a big business done in the bazaars by making articles out of imported galvanized sheets. These, in view of the fact that the galvanizing of such sheets is very light and that all other parts of the article, except those made from sheet, remain ungalvanized, are considerably cheaper to manufacture, and where price is the only consideration are purchased.

Hence it is evident that any increase in duties on black sheets as compared to galvanized sheets will render the cost of a correctly galvanized article still higher in comparison with the bazaar made makeshift, and render it thereby increasingly difficult for galvanizing companies to work at a profit.

We therefore have to record a strong and emphatic protest should any such discriminatory change in duties between black and galvanized sheets be contemplated.

No. 60.

Representation from the Burmah Chamber of Commerce, dated 1st September 1923.

Your letter No. 36, dated July 17th, 1923, with enclosure, has had the very careful attention of the various Sub-Committees and the General Committee of this Chamber, and I am now directed strongly to oppose the suggestion that special protection be given to the steel industry in India, as, in the considered opinion of this Chamber, such protection would be a retrograde step, which might possibly be helpful to an individual steel company, but would prove extremely harmful to the country as a whole by unnecessarily but considerably forcing up the price of articles in very general use and urgently needed for the development of the country, its railways, shipping, public works, mills, factories and industries.

2. In the first place, too much stress cannot be laid on the all-important fact that India possesses unique ore deposits, both in quantity and quality, with most convenient supplies of suitable coal within easy reach. While thus so generously favoured by Nature, the possibilities of the iron and steel industry in India gain additional and enormous strength owing to the distance of the country from external sources of supply, so that freight, insurance charges and a ten per cent. Customs duty already constitute extensive and valuable protection; and any further increase would go far towards ruining the prospects of an industrial India.

3. As a matter of fact, it would not be a difficult task to advance cogent reasons in favour of a *reduction* of the Customs duty now levied, for the output of steel in India is at present confined to a very limited range of products, and the possibilities of expansion must, for an indefinite period ahead, be very seriously prejudiced by the nature of the labour supply.

4. Cheap steel is essential for railways, tramways, shipbuilding, agricultural implements and most other public and private utilities. Failing a cheap supply, costs must increase all round, and the commercial and industrial development of the country cannot fail to be severely retarded.

5. But whatever the view that may be taken with regard to India's ultimate interests, I am to lay special stress on the fact that protection of the steel industry would be entirely unjustifiable in respect of Burma, as this Province has as yet no facilities for steel manufacture, and, owing to her extremely backward state, is far more urgently in need of a cheap supply of steel manufactures than any Presidency or Province in India.

6. For these reasons I am to protest emphatically against the proposal to pamper the Indian steel industry, which, in this Chamber's opinion, is already more than sufficiently protected by the duties levied for revenue purposes; but, if the industry is to be specially favoured with extra protection that can only react perniciously on the best interests of India, I am to urge that Burma be excluded from the scheme owing to her highly undeveloped condition, and the fact of her distance from Indian steel producing centres.

Further representation from the Burma Chamber of Commerce, dated 29th September 1923.

With further reference to my letter of September 1st, 1923, I am now directed to address you on the subject of the evidence which, as reported in the Press, was put before the Tariff Board by the Tinplate Company of India, Limited, at Jamshedpur, on August 28th, 1923.

2. According to the reports the Company suggested the imposition of a 45 per cent. protective duty on tinplate and black plate while urging free importation of certain raw materials required by them, and it appears from the evidence quoted as to their production and the size of the Indian demand that, if this request were acceded to, the bulk of the users of tinplates would be compelled to purchase their requirements at 45 per cent. over normal cost.

3. In the opinion of my Committee this affords another instance in which a protective duty for the benefit of a small group must inevitably have a most undesirable and far-reaching effect on the people as a whole. It is in the manufacture of containers for Kerosene Oil and Petrol that tinplates are mostly used, and any increase in their price must be expected to be reflected in an appreciable rise in the retail price of kerosene to the consumer. As it is generally accepted that kerosene is a necessary article of life, it is the poorest classes in particular who will ultimately be the sufferers.

4. The circumstances attending the establishment and constitution of the Company seem to show that, in spite of the known adverse conditions, it was decided to persevere with it as a normal commercial risk; and there are consequently no good grounds for asking the public to bear any consequences of non-success.

5. For these reasons I am to re-affirm in this case the views which are applicable and already expressed to you in my letter of September 1st, 1923.

Further representation from the Burma Chamber of Commerce, dated 13th November 1923.

I am directed to acknowledge, with thanks, the pamphlets advised in your letter No. 473, dated October 27th, 1923; and, in reply, to state that this Chamber sees no reason to modify its opinions already expressed in reference to the undesirability of hampering the progress of India by the imposition of a protective duty on steel.

2. It appears to my Committee to be obvious that the present position of the Tata Iron and Steel Company, Limited, is largely due to prodigal expenditure and to heavy capital cost of extensions and additions in post-war years; and it seems to be wrong to penalise all consumers of steel and iron in India and Burma for the purpose of bolstering up the position into which this Company has permitted itself to drift.

3. The evidence given before your Board shows clearly the enormous advantages the Tata Iron and Steel Company, Limited, enjoy in their almost inexhaustible supplies of high grade ores and fairly good fuel. In addition, they have the protection accorded by the present substantial import duties on steel and steel goods, as well as long distance ocean freight.

4. Apart from the development of India, which requires steel and steel goods in large quantities, a number of industries using steel have sprung up; and all of them will be severely handicapped, if not killed, by a heavy increase in the cost of steel. To meet this potential situation, heavy protective tariffs are proposed all round, but this course will increase cost to the consumer, and it need hardly be pointed out that the deplorable condition of the world's trade to-day is largely due to high prices. When goods are high in price, consumers either curtail their requirements or go without; and this state of affairs in a country where development is greatly needed can only have the effect of retarding progress.

5. If notwithstanding the arguments against, a decision should be reached in favour of protection of the steel industry—a decision which could presumably not be taken except in anticipation of benefit to the country as a whole,—then the country as a whole should pay the cost and protection should take the form of bounties on material produced, thus cheapening the cost of indigenous steel, and at the same time obviating the stifling of competition. In the opinion of this Chamber. bounties instituted for a number of years, and diminishing in the rate per unit as time goes on, will lead to greater efficiency than protective import duties.

6. As far as Burma is concerned, protective duties would place her at a great disadvantage owing to her geographical position; whilst a bounty scheme would affect her very little, even though, as long as she remains a Province of India, she would have to contribute towards the cost of the bounties.

7. For these several reasons, and those previously expressed to you, this Chamber remains emphatically opposed to the protection of steel industry by means of increased import duties, or even by bounties, if it can be avoided.

No. 61.

Madras Chamber of Commerce.

Written Statement, dated 8th September 1923.

I am directed to acknowledge receipt of your letter No. 36, dated 17th July, enclosing a Press Communiqué No. 35 on the subject of the protection of the steel industry in India.

My Chamber does not propose to offer witnesses for oral examination but instructs me to submit to you a statement of some of its views in the above connection.

These are as follows:—

(1) That protection to the steel industry through the imposition of tariffs must directly increase relatively the cost to the consumer of all forms of steel which it is proposed to protect.

As we believe that manufacture in India comprises only a small fraction of the consumption in India the effect at present would be to penalize practically every user of steel for the benefit of the producers of a comparatively small proportion.

(2) When it is borne in mind that steel, in one form or another, is a factor in almost every industry in the country, as also in Agriculture, it will be seen that the proposal is to handicap India's industries and Agricultural development.

The handicap would, in some cases, be in the form of increased capital expenditure (which carries with it increased depreciation charges) with its corollary of direct increased working costs.

(3) We are, therefore, strongly opposed to any tariff enhancement at the present moment.

(4) A less dangerous form of protection would, in our opinion, be by means of a bounty, the incidence of this being equally borne by all classes of the community.

(5) Whether protection of steel is by means of tariffs on all competitive material or by means of bounties its possible danger to the allied industries cannot be too strongly urged.

We refer to the possibility of a measure of the Government support being utilised in price concessions to favoured manufacturing concerns to enable them to overcome their rivals.

Unfair concession of this nature though affecting but few at first would gradually resolve itself into the formation of a powerful "ring" which, in due course, would be in a position to control the prices of manufactured steel.

If any additional form of protection is contemplated it is our view that adequate steps must be taken to ensure first that established industries will not be adversely affected and that the protection is of such a degree that it will be outside the bounds of possibility to pass on any part of it to a favoured few.

(6) This Chamber is not averse to assistance *of a temporary nature* being granted to new industries *provided* the evidence obtainable justifies the belief that such industries will, if efficiently conducted, become self-supporting within a reasonable period of time. But they take the view that a limit of time for such protection should be definitely declared when it is granted; and adhered to, in order that the public may be under no misapprehensions in this respect when called upon to support such enterprises.

(7) If protection is to be granted in any form whatsoever it appears to be most necessary that such assistance should be dependent upon the production of steel of a quality comparable with that against which protection is sought; and we would advocate no assistance whatever unless this is made conditional.

We consider that definite standards of quality should be laid down and that the ratio of the protection should be fixed accordingly and that there should be no qualification for assistance for any of the production below those standards.

No. 62.

The Karachi Chamber of Commerce.

Written Statement, dated 22nd November 1923.

I am directed to acknowledge receipt of your letter No. 473, dated 27th October, 1923, and its enclosures, and in reply to inform you that this Chamber as a body considers that a free trade policy is in the best interests of India, and it is, therefore, opposed on principle to the protection of any industry or industries.

No. 63.

Representation from the Upper India Chamber of Commerce, dated 15th January 1924.

I am directed to refer to your letter No. 473 of the 27th October 1923 forwarding copies of certain representations made to and evidence given before

the Tariff Board by the Tata Iron and Steel Company when claiming protection for the steel industry.

You are good enough to state that if the Chamber desires to put forward any expression of its views the Board will be glad to receive it.

I regret that it has not been possible to give earlier expression to the views entertained by this Chamber. Since, however, the Committee of the Chamber would not in any case have been in a position to offer oral evidence in support of their views they trust that the statement hereinafter contained will still be accepted as a record of the opinion held by the Members of this Chamber. This may be summarised by stating that while supporting the view that the steel industry in India does need protection by means of a tariff, the Chamber cannot and does not agree that a duty of 33⅓ per cent., as has been proposed by the Tata Iron and Steel Company, is either necessary or advisable.

When giving evidence before the Fiscal Commission in December 1921 Mr. T. Gavin Jones, the President of the Chamber, gave it as his personal view that a duty of seven half per cent. should be imposed on imported iron and steel. Mr. Gavin Jones' evidence followed on the evidence given by him and other representatives officially on behalf of the Chamber and in which, without entering into details, the Chamber stated that protection should be afforded for the manufacture, in the country, of articles in the production of which India should be independent. It may be taken that the Chamber considers that steel is one of these articles.

It is believed that a tariff on the present scale of 10 per cent., or even slightly in advance of the present scale, should afford sufficient protection, but if it be shown that the difficulties attending the manufacture of steel under present conditions are really such that the present tariff is inadequate for protective purposes, then such additional protection as may be proved to be necessary might be provided by means of a Government bounty.

The Committee of the Chamber desire to enter an emphatic protest against the proposal to raise the duty on imported steel to 33⅓ per cent.

They agree without reserve with the other Chambers of Commerce, Members of the Associated Chambers of Commerce of India and Ceylon, in the opinion stated in the resolution adopted last December by that body that so high a duty would impose an intolerable burden on other industries, and indirectly on the public generally.

No. 64.

The Punjab Trades Association.

Written Statement, dated the 27th July 1923.

I have the honour to acknowledge receipt of your letter No. 36, dated the 17th instant, forwarding copy of a press communiqué regarding the proposed extension of protection to the manufacture of steel in India.

2. In reply I have been directed to say that on general lines my Association protests against Government protecting Indian industries to the ultimate exclusion of home industries. I am in this connection to say that the members of this Association handle imported goods and there are many of them who find themselves unable to handle many lines which were staple imports in the past owing to the fiscal policy of the Government in protecting the indigenous product by a prohibitive tariff on the imported product. Before the war it was the definite policy of Government to use this country as a producer of raw materials for our manufactures in Great Britain and Europe generally and which were later exported as the finished article to this country. Times have changed and to-day the advanced Indian is clamouring for protection so that the raw material produced in this country

may be retained in the country and manufactured here with Indian labour and Indian capital in other words "Swadeshi." My Committee admit that no one can take exception to the very natural aspirations of the industrial leaders of this country if they backed their aspirations with their personal technical skill, knowledge and endeavour to inaugurate and carry on to a successful issue and maintain the same against all comers the industries which nature has placed at their doors in the shape of raw materials and cheap labour. But they are not prepared to do this and what they want is protection, not that they may serve their own people better than they are now served with the imported article, but so that they may place their goods on the market at a fractional percentage below the price it is possible for the British manufactured article to be imported. With cheap labour raw material on the spot and protection thrown in does it not, my Association observe, point to high profits at the expense of the consumer they so loudly claim to protect?

3. There are, I am to add, a very few members of this Association who do not find some branch of their businesses, some article they were able to import and sell at a profit gradually disappearing from their stocks owing to the Indian manufactured article being placed on the market to sell to the public at the approximate cost in London to the importer, due of course to the fact that the Indian manufacturer is able with cheap labour and raw material ready at his hand to undersell the British manufactured article, and he undersells at a figure which is based on the price of the imported article, not on his own initial nett cost. This being so, should he have protection? My Association accepts the position that India is clamouring to be as self-contained as possible, and there can be no objection to this, but should she not build up her own industries by her own efforts and not ask to be "spoon-fed"?

British industries and manufactures have, I am to say, been built up to their present state of perfection in a free trade country and have so far been able to place their goods in the markets of the world (in nearly all of which there is a protective or fiscal tariff) at competitive rates. This being so why, my Association contend should not India do the same.

No. 65.

Representation from the Marwari Association, Calcutta, dated 20th November 1923.

The attention of the Committee of the Marwari Association has been drawn to an Associated Press telegram containing a summary of the views of the Burma Chamber of Commerce on the question of the protection of steel industry in India. The Chamber expresses itself as strongly opposed to the extension of protection on the ground that it would unnecessarily force up prices of articles in general use and urgently needed for the development of the country, its railways, shipping, public works, mills, factories and industries and would prove extremely harmful to the country. My Committee consider these arguments as entirely fallacious and desire me therefore to address you on the subject.

Prices of all articles have naturally shown a downward tendency since some time past but the fall which the price of steel has undergone is more than could have been expected and cannot be regarded as a matter of course. It is common knowledge that during the war, when the Government of India controlled the prices of Indian steel, the foreign manufacturers made enormous profits and accumulated large reserves. Following the usual tactics of cutting down prices to extremely low levels, even below the cost of production if necessary, to strangle a weak or new rival, the foreign manufacturers are now dumping their output on the Indian market on the strength of their war time reserves and the object is obvious. If the foreign manufacturers

succeed in their object, prices will soon again rise high to the serious disadvantage of consumers. In the best interests of the consumers therefore it is urgently necessary that the steel industry of the country should be protected from foreign attack.

In the opinion of my Committee, there is no reason to apprehend any heavy rise in the prices of steel as the result of a protective tariff. The immediate effect is rather likely to be to prevent the fall of prices below the cost of production in this country, and even if there be any actual rise in price, it will not be such as to affect the consumers seriously who paid extremely high prices only a few years back. The Tata Iron and Steel Company have been supplying large quantities of rails to the railways of the country at prices much below those quoted by foreign manufacturers to the great economic benefit of the country. Apart from the saving to the country which resulted from purchase of steel from this company during the war, the economic gain to the country from the establishment of this industry during the nine years ending in 1921 amounted to not less than 14 crores in employment, wages, taxes, freight, etc., and the actual saving in money amounted to more than 7 crores. Further development of the industry, either by the establishment of new works or the extension of existing ones will lead not only to further employment of the large number of unemployed in the country but will necessarily result in the saving of several crores of rupees annually to the country as a whole. It is hardly necessary to add that the benefit of such saving will filter down to even those who as consumers may have to pay higher prices.

It can be safely anticipated that protection of the industry will result in its large development and growth in the country and the internal competition will also naturally have a lowering effect on prices. Any rise that may take place now can only be temporary but will result in much future prosperity. Besides, the apprehensions regarding consumers can be reduced to a minimum by the grant of protection on a sliding scale to be gradually reduced at the end of every five years, so that after 20 years protection may be completely withdrawn. My Committee are fully in agreement with this view but they would recommend that the amount of duty realised be given to the industry by way of bounty.

My Committee feel that the necessity and urgency of giving protection to the steel industry cannot be overstated or too strongly urged. It is an essential industry and the country possesses all the natural advantages for its production, such as an abundant supply of raw materials and labour and an extensive market for the finished product. A large quantity of raw materials necessary for the manufacture of steel goes out to foreign countries to return to the country in the shape of steel or steel articles which means enormous economic loss to the country. The development of the industry is essential for purposes of national defence also and for these reasons the Indian Fiscal Commission commended it to the consideration of the Government. In the opinion of my Committee the extension of protection to this key industry will be quite in keeping with the principle of protection with discrimination and they hope that the Tariff Board will recommend its protection.

No. 66.

The Native Share and Stock Brokers' Association.

Written Statement, dated the 29th December 1923.

In the statement issued by you to the press on the 17th July you invite from persons interested in the steel industry or the industries dependent on the use of steel a full statemnet of their views.

Many members of this Association and their clients are directly or indirectly interested in the iron and steel industry and I am, therefore,

asked by my Board to place the following statement of their views before the Tariff Board for their consideration.

It is on the following grounds that my Board recommends protection by tariff.

The iron and steel industry is a truly national asset of every country where it can be brought into existence and fostered to its full natural growth.

It has been indisputably shewn that the principal raw materials are to be found in the country itself in ample quantities for decades to come.

It is agreed on all hands that every progressive country should strive to become economically independent and the placing of the iron and steel industry in a safe and sound position by due tariff protection would be the first step in helping India to be ultimately self-supporting.

It is precisely on this plan of tariff protection that all most progressive industrial countries like Germany, Australia, the United States of America and Japan have progressed with their industries and built them up as substantial National assets in face of all opposition that each country must have met in its turn, and it is a well-known fact that all the self-governing Dominions of the British Empire also have adopted the same policy.

There is absolutely no convincing reason why the same beneficial policy should not be adopted for the ultimate national good of this country.

That the iron and steel industry is a national asset of the first importance and of greatest value to India has been amply made clear during the last great war and openly acknowledged with all possible emphasis by all authorities from the Viceroy downwards, and the Fiscal Commission has also unanimously recognised that it is an essential industry for national defence.

Apart from the necessity to this country of a well developed iron and steel industry in the two matters of defence and of communications, such an industry gives rise to many subsidiary industries in the utilisation of its various bye-products and they in turn lead to the creation of other industries to provide for the economic use of their products and bye-products. Furthermore the railway and industrial and other requirements of this country are bound to grow as the country develops and will require larger and larger quantities of iron and steel.

As pre-eminently representing a very large body of investors, my Board wishes to specially emphasise the following point. Influenced by the reasonably profitable state of the iron and steel industry during the years of the war, and having no reasonable anticipation of unfair and irresistible competition in future by heavy dumpings from foreign manufacturers, Indian investors have placed immense sums in the iron and steel industry and my Board is convinced that if steps are not immediately taken to see that the industry is able to earn a reasonable profit on the immense amount of capital sunk in it, it will be a veritable disaster and a disaster not only to the present unfortunate investors but to the country in general, because Indian capital is proverbially shy and has only during the last few years learned to come out of its shell; and if anything happens to the many crores of rupees sunk in this industry, Indian capital will once more withdraw from the field of industrial investment and the development of the country will receive a setback from which it may not recover for decades together.

Though there will no doubt be a rise in value of iron and steel upon the introduction of a tariff wall, my Board is firmly of opinion that it is a temporary difficulty of comparatively minor importance which must inevitably be borne for the greater and more permanent good of the country as a whole exactly as has been done by all the progressive countries referred to above.

It is also to be borne in mind that by the introduction of the tariff protection, the iron and steel industry in India will receive a great impetus resulting in many other concerns coming into existence and this in itself will create a healthy internal competition tending to keep prices at reasonable

levels and there is absolutely no ground to apprehend a monopoly of any description, as there are already several companies in the field and more are sure to follow if a suitable tariff is adopted.

If India becomes self-supporting in the matter of its iron and steel requirements, this country will have saved annually several crores of rupees which would materially help to reduce our public debt.

My Board has very carefully followed the trend of the entire evidence so far placed before your Board, and they find that the only opposition to protection by tariff has come from those connected directly or indirectly with imported iron and steel and its manufactures. Self-interest naturally rules supreme with them and in that light it is their business to make present and temporary difficulties and losses loom large before the eyes of your Board, yet even none of them has made bold to declare that the introduction of a protective tariff would not be for the ultimate great good of this country, and the weight of the whole world's experience is against such a dictum.

My Board cannot sufficiently emphasise the fact that it is pre-eminently, nay solely, an Indian question in the interests of India to be considered from an Indian standpoint by your Board which has been appointed by the Indian Government and to be decided upon by the Indian Legislature; and thus viewed there can be but one answer, *viz.*, the erection of a sufficiently yet reasonably strong protection tariff wall to run for a sufficient number of years on a downward graded scale of percentage.

My Board wishes to clearly point out to your Board the very great urgency of having such tariff protection introduced at the earliest possible moment in view of saving the industry from the unbearably serious losses that are daily accruing by reason of the very heavy dumpings of iron and steel now going on from foreign manufacturers. In the opinion of my Board this is a process which if allowed to run *ad lib* is bound to help foreign manufacturers and cut against the vital interests of this country in a twofold manner. When world trade is bad and most doors reasonably shut by tariff protection, foreign manufacturers would resort, as they now do, to heavy dumping on our free and open shores to enable them to keep their works running even though at some loss, yet at the same time stifling and exterminating the local industries by such unfair and irresistible competition; and then with a revival in trade having India, bereft of its own industries, again at their abject mercy to be milched on their requirements for years and years to come.

In consideration of all the above grounds deciding in favour of protection by tariff, the next question would be what should be the rate. My Board understands that the Tata Iron and Steel Company consider 33⅓ per cent. necessary. While the members of the Tariff Board will undoubtedly be best able to gauge the figure required, my Board would like to say that the figure should be such as to permit of an yield of about 10 per cent. on the capital invested, this figure being by no means too high for an investment of this nature, particularly in India where the average rate of interest is much higher than in Western countries.

My Board hopes that the members of the Tariff Board will give due weight to the various considerations mentioned above and will see their way to make recommendations that will lead to a great development of the iron and steel and cognate industries in this country.

No. 67.

Calcutta Trades Association.

Written Statement, dated 28th December 1923.

I have the honour by direction of the Committee of the Calcutta Trades Association to address you in connection with the question of the proposed

protection to the steel industry as affecting those members of this Association interested in the Steel Trade.

Although this Association has not been asked officially to express its opinion on this important subject, my Committee strongly disapproves of the suggestion of granting special protection to the steel industry in India, as in their opinion such protection would be a retrograde step, as, while it may possibly be helpful to an individual steel Company, it would, it is felt, be extremely harmful to the country as a whole, in so far as it would tend to unnecessarily force up the prices of articles in general use and needful for the development of Railways, Shipping, Public Works, Mills, Factories and Industries in general.

In view of the above, I am directed by my Committee to state that this Association is strongly opposed to the proposed protective duty on steel, and it is hoped that this letter will receive the earnest consideration of your Board, as being the considered opinion of those members of this Association most intimately connected with, and interested in, this particular trade.

Field operation and maintenance.

Paragraph 1 (b), Part I.—It is practically impossible to answer this question in general terms in the form it is given. No two fields are alike nor are conditions similar.

It is, therefore, only possible to take typical cases from our own experience which may differ considerably from that of another concern, working under different conditions. Having assumed previously that a field of five wells has been established by a capital expenditure of Rs. 10 lakhs in order to carry on work from this point as a commercial proposition wells must be kept in repair and deepened, oil must be won and stored, and further development must continue. In the costs in the first statement the initial depth of a well was taken as 2,000 feet and it is now assumed that they must be deepened to 3,500 feet to reach deeper oil strata.

It is assumed that there is a hypothetical amount of Rs. 10 lakhs to be used for continued exploration, maintenance and production, which amount is exceeded in our own case. We find that practically 62 per cent. of the hypothetical Rs. 10 lakhs is expended on steel materials thus:—

	Total.	Value.
Steel Casing, Rig materials, tanks, Pump Tubing, rods, etc., Repairs parts,	Rs. 6,15,000	or 61·5 per cent.

W. I. pipe lines have not been included as the quantity used is very variable. Neither is there any allowance for additional tools, machines or electrical appliances, which might amount to a further Rs. 2 lakhs.

Part II. Refinery Maintenance.—The cost of maintenance and repairs in a refinery is liable to vary considerably. The iron and steel material consists chiefly of mild steel plates, rolled steel beams and bars, W. I. pipes, C. I. and steel valves.

An average figure cannot readily be given but a fairly representative recent year shews that out of the total annual cost of maintenance of the refinery, the above materials accounted for practically 30 per cent., which is a sufficiently near estimate.

Paragraph 2.—In the preceding paragraphs the costed items enumerated all occur in the Tariff Schedule under "Iron and Steel," and do not come under the heading "Machinery." It is found that 41 per cent. of the total expenditure on steel material in field operations is due to the one item, steel casing. The schedules are based upon a supposed expenditure of Rs. 10 lakhs in each case and refer to the long established standard methods of well drilling. They do not necessarily bear a very definite relation to the actual

expenditure by an oil company in any one year. Thus, owing to the very recent introduction into Burma of a different system of well drilling the proportion of steel casing and piping is much increased. We find that recently our imported casing, with its accessories, bears the proportion of 2,300 tons (approximate value Rs. 8 lakhs) to about 50 tons of other "iron and steel" material. This casing can only be obtained from the United States.

Paragraph 3.—With regard to steel material manufactured or purchased in India, we have had no direct dealings with the Tata Iron and Steel Company. Steel and steel articles have been purchased from English firms in India but no Government certificate of quality was furnished. While much of this was very probably of English origin some was manufactured in India and was regarded by our engineers as lacking the quality and finish and capacity to stand wear of the directly imported material.

We trust what we have written will make clear to your Board what a large item of expenditure Steel is to a Company such as ours, averaging some 50 per cent. of the whole outlay on materials and stores. We have pointed out that very much of this material must be obtained from the United States where its production is a highly specialised industry. Besides the special technique and skill required, the capital involved for the plant for its manufacture is extremely heavy and the local demand would not seem to warrant such expenditure by an Indian concern. Hence our view is that an increase in the tariff would injure our business as oil producers in order to provide a monopoly for a concern which does not and cannot supply our indispensable needs

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No. 68.

Mr. Narendra Nath Nundy and others.

Written Statement, dated 1st October 1923.

We, the undersigned importers and dealers in iron and steel at Calcutta lay the following for consideration by your Board:—

(*a*) That we are surprised and much alarmed at the proposed enhancement of duty on iron and steel from 10 to 33⅓ per cent.

(*b*) That only last year the tariff rate on these goods has been enhanced from 2½ to 10 per cent. thereby greatly enhancing the cost price of the goods.

(*c*) That iron was substituted in place of timber in building materials on account of cheapness.

(*d*) The price in sterling of imported steel is already double that of pre-war days and the duty has recently been enhanced by four times. Consequently, demand from consumers has abnormally fallen and the total quantity of steel imported at present annually represents only an insignificant part in comparison with pre-war days.

(*e*) That any further increase in value or the tariff rate would paralyse the import of this class of materials as demand from consumers would vanish and make them unsaleable.

(*f*) That if the proposed revision of the tariff rate is for the protection of Indian industries, we are of opinion that the present enhanced value and the existing high tariff rate is enough protection for the Indian manufacturers to compete with.

(*g*) That in addition to extra charges enumerated in paragraph (*f*) the cost price of the imported steel includes freight which is about 30 per cent. of the original value of the goods, the insurance fees, the banks' interest and the shippers' commission.

(*h*) That the foreign exporters of steel are able to meet competition in spite of the many items of extra charges enumerated in paragraphs (*f*) and (*g*).

(*i*) That there is only one steel works in India, The Tata Iron Works,

Limited, and the production is not sufficient for the consumption of even a few months in a year. Moreover, sheets, plates and some other sections of steel are not manufactured in the Indian works.

(j) That if imposition of protective duty is deemed necessary in order to enable the Indian works to compete with foreign manufacturers, we infer the price of the Indian steel would be much higher than at present and we do not understand how the consumers will bear the additional burden in these days when the world is crying aloud for economy.

(k) That if the proposed enhancement of tariff rate is intended for increase of revenue, we are of opinion that the revenue will fall abnormally instead of increasing.

(l) That, we fear, the imposition of the proposed enhanced tariff rate would ruin our iron and steel business altogether and the consumers failing to get cheap supply of iron and steel, will meet, so far as possible, their demands in timber and other materials.

(m) That from the import tariff lists it will appear that the scope of iron and steel business is a big one, next only to piece-goods, and many thousands of men employed in this business will be sorely affected if the tariff rate is enhanced which means ruin to this business altogether.

(n) That, apart from other considerations, we fear that if by artificial means the import of foreign steel is stopped or heavily curtailed, the foreign countries in their turn may refuse to import Indian jute, gunnies and other products to their country which will tell heavily on those trades and thereby making millions of Indian labourers unemployed, thereby creating chaos and confusion in this country, as in many countries of the West.

(o) That we request that in view of the above facts, the tariff rate should not be enhanced, if not reduced.

(p) That in the year 1920 we had placed many orders for iron and steel at topmost prices as Government had then been selling reverse Council Bills thereby reducing the value of the sterling at Rs. 7-8 to Rs. 8-8, in place of the present value of about Rs. 15: But all on a sudden Government stopped selling those Bills before goods had arrived and heavy slump in exchange took place and ruinous losses accrued. The disaster resulting from the heavy slump in exchange was referred to in detail by Sir A. Murray, President of the Bengal Chamber of Commerce, at the Associated Chamber of Commerce in 1921, at which His Excellency the Viceroy and Governor-General of India was present. So that we may not have to share the same fate on this occasion we request the favour that we may be informed at an early date whether it is the intention of Government to increase the tariff rate before the beginning of the next financial year as in that case we shall have to refrain from putting further orders abroad.

(q) That, if foreign competition is made to disappear, this vast business will fall into the hands of a limited few and there is the danger of profiteering which will tell heavily on the consumers.

(r) In conclusion, if our opinion and prayer be ignored for giving protection to the industries of this country, we are of opinion that the same protection be extended to cotton and other trades of this country and also the imported machineries.

Messrs. Ishan Chandra Chatterjee & Son.

Written Statement, dated 1st October 1923.

Recently, we have come across the information that, owing to Tata Iron Factory's application for the increase of duty, the Government is pleased to appoint a committee to enquire into the matter. We beg to put the following few lines before you, as importers, as well as bazaar shopkeepers. India is a poor country and the people want cheap goods, which are sold largely.

The good productions of Tatas are sold about a rupee per cwt. higher than the Continental goods of Europe. Moreover, if the duty be lowered from 10 per cent. to 1 or 2 per cent. the European goods may find a bumper sale in this country and good profits to all concerned in the trades. It is for the bad luck of our country that the duty on iron and steel goods has been raised from two annas to one rupee eight annas per cwt. with a paltry Port Commissioners, landing charge of two annas per cwt. We pray that the committee will be pleased to recommend the Government to reduce the duty to pre-war rates and accept the hearty thanks from the traders and poor people of this country.

Messrs. Indu Bhusan Dutt & Co. and others.

Written Statement, dated 2nd October 1923.

We, the following dealers in iron and steel, lay the following before your Board for consideration in connection with your report to the Government of India about the revision of the present tariff rate:—

(*a*) We are surprised and much alarmed at the proposed enhancement of duty on iron and steel from 10 to 33⅓ per cent.

(*b*) We hear the above is a measure proposed to be adopted at the instance of the Tata Iron Works, Limited, of Tatanagar, in order to protect their industry from foreign competition.

(*c*) Iron and steel were substituted in place of timber and other materials on account of their cheapness.

(*d*) The price in sterling of imported steel is already about double that of pre-war days and the tariff rate has been enhanced from 2½ to 10 per cent. only last year. The value of the goods has consequently risen abnormally and the demand from the consumers has greatly fallen.

(*e*) The present sterling value of iron and steel includes freight which is about 30 per cent. of the original value of the goods, the insurance fees covering many risks of damages, losses, etc., the bank's interest and the shipper's commission. Adding to these the present high tariff rate of 10 per cent. we are of opinion that Indian industries are already sufficiently protected from foreign competition.

(*f*) Any further increase in the tariff rate would increase the value of the goods and would paralyse the import of this class of materials as demand from consumers would heavily fall.

(*g*) If the imposition of protective duty is deemed necessary in order to enable the Indian works to compete with foreign manufacturers the natural inference is that the price of Indian steel would be much higher than at present and we do not understand how the consumers will bear the additional burden in these days when the world is crying for economy.

(*h*) In this connection we would quote the recent words of the late Premier of the United Kingdom, Mr. Asquith, advocating Free Trade: "Ring fence is harmful alike to the protected and the obstructed."

(*i*) If the proposed enhancement is carried into effect, our iron and steel business will be ruined altogether as the consumers failing to get cheap supply, will, as far as possible, meet their demands in timber and other materials.

(*j*) The iron and steel business is an extensive one, next only to piece-goods, and many thousands of people employed in this business will be sorely affected if tariff rate is enhanced, thereby ruining our business altogether.

(*k*) Apart from other considerations, we fear, that if by artificial means the import of foreign iron and steel is stopped or heavily curtailed, the foreign countries, in their turn, may stop importing jute and other Indian products, making millions of India labourers unemployed and thereby

creating chaos and confusion in this country as in many countries of the West.

(*l*) If competition is made to disappear there will be no check to heavy rise in prices and the iron and steel business will fall into the hands of a limited few dealers.

(*m*) In conclusion, if our petition is rejected in order to give protection to the only steel works in this country, *i.e.*, The Tata Iron Works, Limited, we are of opinion that the same protection be given to cotton and other industries of this country so that the vast number falling unemployed out of the consequent slump in the trades shown above may find employment.

No. 69.

A. Ramaiya, Esq., M.A., Vakil.

Written Statement.

PROTECTION TO THE STEEL INDUSTRY IN INDIA.

In accordance with the recommendation of the Indian Fiscal Commission, contained in paragraph 107 of its Report, that " the question of protection to the manufacture of steel should be one of the first subjects of inquiry by the Tariff Board," the Government of India have selected first the steel industry for investigation by the newly constituted Tariff Board, and the Board is now holding its inquiry and examining witnesses in that connection. The witnesses examined so far would seem to be mostly persons either actually engaged in or personally interested in advocating the cause of fostering the development of the industry and their views as expressed, may be said to point predominantly in favour of a strong protection to be given to the industry by means of a thirty or thirty-three per cent. import duty to be levied on all foreign steel, coming into the country. From the summary reports of their evidence in the newspapers, it does not, however, seem that the subject has been properly considered by them in all its aspects, particularly with reference to the effect that it will have on the general well-being of the country. In dealing with the question of protection to be given to any industry, it is very necessary, as pointed out by Dr. Marshall in his recent book, " Money Credit and Commerce," page 219, that inasmuch as those who can speak with the fullest knowledge on the technical side of such a question are likely to have a strong personal interest, in its securing an answer that will increase the demand for their services or conduce to the augmentation of their own profits, arguments put forward by them should be scrutinised with exceptional care, even when they come from able men of the highest character. The object of the present article is to view the question briefly from the standpoint of a student of economics, and if it should be deemed that protection to the industry is necessary or desirable, to suggest the manner in which it should be given—whether by means of an import duty or a bounty—having regard to the best interests of the country as a whole.

The Indian Fiscal Commission make mention in their Report of three general conditions that must be satisfied before protection can be extended to any industry. First—the industry must be one possessing natural advantages for development—such as an abundant supply of raw material—cheap power, a sufficient supply of labour, or a large home market. Secondly, it must be one which without the help of protection is not likely to develop at all or develop so rapidly as may be desirable in the interests of the country. Thirdly, the industry must eventually be able to face world competition without protection.

Now we may apply these considerations to the case of the steel industry in India.

First with regard to the possession of natural advantages; so far as the availability of iron ore is concerned, it may be readily admitted that there are large deposits of ore of good quality in various parts of the country. But inasmuch as most of such deposits are not found near coalfields, they

are not to be profitably workable at any rate until railway and other transport facilities are made abundantly available and cheap. At present, Bengal, Bihar and Orissa are the only provinces where iron ore is mined for smelting by modern methods. The reason for this is that only in these provinces, any sufficient supply of coal can be had, in close proximity to iron ores and mining facilities exist for raising the produce without digging far into the earth. The iron and steel industry as well as coal mining are thus naturally confined to these provinces. At the present time there are only two prominent companies which are working the iron and steel works in India. The Bengal Iron and Steel Company at Kulti (Bengal) in spite of the great and rapidly increasing demand for its products could produce no more than 86,680 tons of pig, and 31,775 tons of iron castings in 1920. In the same year and under the same favourable circumstances, and in spite of the encouragement given by the Government through their placing a large part of their orders before it, the Tata Iron and Steel Company at Sakchi was equally powerless to produce more than 221,606 tons of pig; and 113,222 tons of steel including rails. No statistics are available to me, with regard to the progress of a third company,—the Indian and Iron and Steel Company, floated only a few years ago with a share capital of one million pounds, and having its works at Asansol, a favourable situation, being 130 miles from Calcutta and close to the Raniganj, Jherria and Barakar coalfields. None of these three companies would seem to have progressed so rapidly as might be expected at a time when, owing to the Great War, they had a splendid opportunity for development afforded to them, through high prices and keen demand for their products.

There are various reasons for this want of development. In the first place the coal difficulty has been great. There is not much to be said in favour of either the quality or quantity of coal available in the country. Further the working of coal mines is subject to a special difficulty. The classes from which colliery labour is recruited being largely agricultural, coal production is adversely affected by a favourable monsoon as the cultivator in the neighbourhood only turns to mining when his crop fails or his savings are exhausted. The total production of coal in India in 1920 was only 17,962,214 tons, as compared with the output in the United Kingdom in the same year which was 229,532,081 tons, nearly 13 times as much as the Indian production. Thus the country being deficient in her coal supplies, an enormous quantity of coal, coke and fuel has to be imported every year; the value of the imports for last year (1922-23) being Rs. 3,22,46,990. Thus the want of a sufficient supply of cheap coal is a serious handicap to Indian industrial development in general, and particularly to the growth of the iron and steel industry.

The importance of coal to the latter industry cannot be too much emphasised. A study of the progress of the industry in England and America will make it perfectly clear how much both the site and growth of the industry are determined by this all-important factor. In the words of Professor Taussig, "it was the abundant and excellent coal which formed the sure basis of the manufacturing industries and the permanent foundation of iron and steel making" in the United States of America as well as in England (Taussig: "Some aspects of the Tariff Question" Ch. ix, p. 126). Again as Jevons rightly emphasises in his book on the "Coal Question" the geographical condition on which a large iron industry in any country must rest is the contiguity of iron and coal. Of course, by an extensive development of railway and other transport facilities and the utilization of mechanical appliances for digging, depositing, loading, unloading, etc., processes, the importance of this condition may be reduced to a minimum. In fact in the United States at every step direct manual labour is being avoided and huge quantities of coal and iron ore are moved and managed by machines and other mechanical devices at a cost astonishingly low. But in India such facilities are entirely wanting at the present time, and even if the country should henceforth advance at a very rapid rate, it will take a considerable length of time, not less than a quarter of a century in any

case, for the country to have any command over such facilities. So that the available deposits of iron ore in various parts of the country must until then remain unworked both efficiently and economically for want of an abundant and cheap coal supply.

The scope and limitation for the development of the iron and steel industry in India are succinctly stated by the Indian Industrial Commission in the following sentence in their Report (paragraph 55): " Iron ore is found in many parts of the Indian continent, but the instance in which ore of good quality exists in suitable proximity to satisfactory coal supplies are not very numerous, though sufficient in all probability to warrant large extensions of the existing iron and steel works."

It will be seen from this that there is not much scope in this country for a vast extension of the steel industry like that of the giant Steel Corporation of the United States of America or the iron and steel works at Birmingham and Sheffield in England, though the existing iron and steel works managed by the three companies already mentioned may be developed to a considerable extent. In any case if we look at the statistics of the various kinds of iron and steel products imported into the country and compare them with those of what the Indian companies produce, we shall find that the native production is but a very insignificant fraction both of the quantities imported and of the total quantities required by the country every year.

The following will give an idea of the value of Government imports and private imports of the various kinds of articles of iron and steel coming from foreign countries:—

Government imports.

	1921-22 Rs.	1922-23 Rs.
1. Hardware, cutlery agricultural implements, etc.	84,70,376	59,65,471
2. Carriages, carts and parts	1,09,73,457	1,09,82,910
3. Machinery and millwork	1,06,13,735	1,89,07,762
4. Iron and steel (metal or ore)	74,17,154	70,15,757
5. Railway plant and rolling stock	2,43,11,360	2,35,24,579
6. Ships, boats, etc.	32,03,729	20,79,644
7. Telegraphic materials	46,54,377	26,50,315
TOTAL	6,96,44,188	7,11,26,438

Private imports.

	1921-22 Rs.	1922-23 Rs.
1. Vehicles (excluding railway materials but including shipping parts)	4,41,53,282	3,42,56,501
2. Umbrella fittings	32,08,404	43,43,925
3. Telegraphic materials	27,06,862	14,51,797
4. Railway materials	18,91,06,135	11,05,80,847
5. Printing and lithographic material	18,10,583	13,41,312
6. Iron and steel—		
(i) Iron	79,73,529	62,31,613
(ii) Iron or steel	16,65,46,296	14,13,35,508
(iii) Steel	3,65,90,742	3,61,67,391
7. Machinery and millwork	34,25,50,806	23,47,85,632
8. Instruments, apparatus, appliances and parts	5,14,80,521	3,13,40,664
9. Hardware, cutlery and electroplated ware.	5,91,90,408 16,82,295	5,14,89,897 23,14,933
TOTAL	90,69,99,863	63,56,40,020

It will be seen from this that India almost entirely depends for her requirements of iron and steel for industrial and other uses, on her imports from foreign countries. Of course, it will be to her great national good if the steel industry in this country be developed to such an extent as to satisfy her own entire demand and make her independent of foreign supplies. But with her present limited possibilities no such hope can be entertained, even if the industry were to be stimulated by a very high protective tariff. In the absence of rich natural resources and facilities for their effective and economic utilisation, and when there is no possibility of the home production increasing, sufficient enough to cope with the country's demand, a heavy duty levied on her imports of iron and steel manufactures will have merely the consequence of throwing an unnecessary, useless and permanent burden on the community in the shape of high prices, and in those cases in which such manufactures go to satisfy any real and necessary wants of the people or advance their industrial progress, they will even prove positively detrimental to national interests. Those companies that have at present a monopoly of iron and steel production in India will profit a great deal at the expense of the community, for which except the kindling and exploiting of a patriotic sentiment they will make no return. It will be admitted by all people that the country as it stands is in great need of material and moral progress in all directions. A rise in price of railway materials, printing, machinery mill work, telegraphic materials, agricultural implements, electrical, etc., apparatus cannot but impede the progress of the country. Most of these products of iron and steel being needed for providing one or other of the requisites of civilized existence, any heavy protective duty, nay even a slight revenue duty on the imports of such products cannot but be condemned as highly detrimental to the well-being of the people at large. Protection by means of an import duty, therefore, is not to be thought of in the case of the iron and steel industry in India.

But seeing that the industry is a basic industry having much national importance about its development, Government encouragement may be given for the expansion of the existing iron and steel works to their uttermost capacity, both by means of direct bounties on production and by the offer of railway and other transport concessions. Such bounties, while stimulating the development of the industry as effectively as a protective duty, will avoid the drawbacks of such duty. There will be no rise in price and no hindrance to the growth of other and dependant industries or to progress while at the same time production in the country will increase, induced by the supplementary profits assured by the bounties.

The view of the Indian Fiscal Commission would also seem to be in favour of protection by means of bounties rather than by import duties, in cases like that of the steel industry. In one place, speaking of industries which are new or which like the steel industry are producing only a very small proportion of the needs of the country, they say that State assistance to such industries should as a rule be given in the form of bounties (see paragraph 102 of their Report). In another place dealing more particularly with the steel industry, they would express "We must not be understood to say definitely that the production of any of these articles requires Government assistance or that, if Government assistance is required it should necessarily take the form of protective duties. On the contrary in the case of such industries, assistance by means of bounties or other devices of this nature may be found suitable either in lieu of tariff protection or in addition to it." Again in a third place they point out that "the best way of assisting a basic industry is by a bounty rather than by a protective duty. In any case the development of certain basic industries may be in the interests of the country generally, either because like the iron and steel industry, they will stimulate the establishment of other industries dependent on them or because like some of those industries which have been classed as 'key' industries under the British Safe Guarding of Industries Act, their products are of such importance that any interference with the supply—such as might arise from a cessation of

imports would bring other industries to a standstill. Our general view is that the decision whether protection should be given to basic industries should rest rather on consideration of national economics than on the economics of the particular industry." Also with regard to the manufacture of machinery in India they would suggest that protection should be given by means of bounties and not by import duties. Thus it is clear that the proper method of giving encouragement to the steel industry in India is by means of bounties and not by import duties.

In connection with protection, and in order to make it effective, a safeguard will also have to be provided against a possible danger, namely dumping. The Tata Iron and Steel Company placed some figures before the Indian Fiscal Commission purporting to show that British steel is being dumped into this country by being sold below its cost of production, in order that such dumping may destroy or weaken the chances of progress of the Indian steel industry. The Commission, however, expressed its opinion that the fact of such dumping was not satisfactorily established before them, though they themselves recognised that proof thereof was hard to obtain. But it is submitted they had not investigated the matter closely, and if they had, they could not have failed to perceive that dumping on a large scale is being practised and is most prominent in regard to half finished steel products, where, while dumping is easily possible, detection is most difficult. In all cases in which such dumping is really calculated to destroy or impede the progress of the Indian industry, it may be suggested that the imposition of such an import duty on the products sought to be dumped as will be just sufficient to take away its destructive effects, may be imposed on the recommendation of the Tariff Board or any other specially constituted Board which would enquire and report as to such matters. In this connection the same procedure may be adopted here as is provided in Part II of the Safe Guarding of Industries Act for the United Kingdom (11 & 12 Geo. V, Chap. 47) where on complaint being made to the Board of Trade, that any foreign goods competing with British industries, are sold or are offered for sale in any part of the United Kingdom at prices below their cost of production, in their respective manufacturing countries, the Board refers the matter to a Committee constituted for that purpose and on the report of the Committee, placed before and approved by a resolution of Parliament, a protective duty is levied on such goods, in order that it may not unfairly compete with or destroy the home industry concerned.

So far we have dealt with the natural resources available and the manner in which protection should be given to the industry. But there are some general difficulties in the way of the development of the industry, which have also to be provided against if the protection that is sought to be given should prove effective. As the Indian Fiscal Commission themselves point out, "the mere composition of protective duties, however scientifically contrived will not by itself produce the full industrial development which we desire." Other essential conditions are a sufficient supply of skilled labour, technical knowledge, capital and organisation. All these four factors are generally deficient in almost all industries in India and their want has been the chief impediment to industrial advancement in the past. In the iron and steel industry as well as in coal-mining a sufficient and steady supply of skilled labour is essential. But industrial labour in India being mainly recruited from the agricultural classes, is generally unskilled and as we have already noticed its supply is liable to be much affected by favourable monsoon conditions. Such labour has to be trained and has to be weaned from agriculture and attracted by the offer of more advantageous conditions in the industry such as high wages, good housing and sanitary and educational facilities.

Closely connected with the difficulty of labour supply is the want of technical knowledge. In the iron and steel industry more than in any other industry, advancement in technical knowledge and skill helps a long way to the rapid development of the industry. In the three most prominent

steel producing countries of the world, England, United States of America and Germany, it is this advancement in applied science that has helped the vast growth of the industry. Professor Taussig speaks thus with reference to the United States " an important cause throughout the industrial field was unquestionably the wonderful growth of technical and scientific education. The supply of intelligent and highly trained experts to whom the management of departments and separate establishments could be entrusted with confidence facilitated the process of consolidation and the organisation on a grand scale of widely ramifying enterprises. It may be a question how far our scientific schools and institutes of technology have been successful in stirring invention and developing initiative talent. The prime essential for leadership seems to be here as elsewhere in the intellectual world, inborn capacity. But the rapid spread and complete utilisation of the best processes were greatly promoted by them. They were largely instrumental in enabling advantages to be taken in chemical, metallurgical and mechanical improvements in the iron and steel works. Their influence showed itself no less in the railways—the great commercial and manufacturing plants the textile works, manufacturing establishments at large. Their influence in permitting all industry with the leaven of scientific training was strengthened by the social conditions which enabled them to attract from all classes the plentiful supply of mechanical talent." (" Some Aspects of the Tariff Question," Chap. X, pp. 149-50.)

The same remarks apply also to England and Germany. In all the three countries technical advance was both rapid and extensive. So far as the Indian steel industry is concerned, there is an absolute want of technical training in the country, with the result that for skill and knowledge the industry has to look to foreign countries for supply. On this point the report of the Fiscal Commission itself is this: " The evidence which we have heard suggests that Indian pig iron can hold its own without any protection. Steel production, on the other hand, involves highly technical processes which until Indian labour is fully trained entail the importation of expensive foreign labour," para. 107. Again in another place, " Too long has India been dependent in the more skilled branches of industry on imported labour, and nothing is more likely to cheapen the cost of production in Indian industries than the replacement of imported skilled labour by equally efficient Indian hands." (Para. .) Thus if a policy of protection to the industry is intended to bring in any beneficial effect one of its prerequisites undoubtedly is the affording of facilities for the advancement of science and training in technical knowledge and skill. As pointed out by Professor Taussig in the book already referred to, it is this rapid technical advance that ensured the success of the steel industry, both in Germany and the United States of America. In both countries, to use his own words " the wide application of exact scientific methods was promoted by the diffusion of technological training while originating and inventive science progressed in a manner to command the admiration of the world." In our own country India, the Government can well help the existing concerns engaged in the industry, in establishing schools for training apprentices and providing for research in applied science; and it may also insist whenever its own orders are placed with any firm within or without India, that the firms it contracts with should afford facilities for the technical training of Indian apprentices.

Again in the matter of organisation also, the industry is wanting. This is a defect common to all the industries in the country, and is more or less inherent in its economic system. It is due to the essentially agricultural character of the people and their want of enterprise, and the training that our urban population are having in the various industrial centres. It can effectively and speedily be cured by the attraction of native talent to the industrial rather than to the overcrowded learned professions, by a revolution in the whole system of education and the training of youth, and the diversion of the intelligentia of the country from merely philosophical and discussional pursuits to useful industrial occupation.

Closely connected with the difficulty of supply of the above factors is the problem of the scarcity of capital for industrial enterprises generally. Though the Fiscal Commission would seem to be hopeful of a sufficient supply of native capital for all the country's industrial enterprises, one who understands deeper the real economic situation in the country and the poverty of its people may well suspect the financial strength of the country for such large industrial undertakings as developing the iron and steel works which involves large and complex plant, and the laying out of railways, both of which require enormous capital resources. Foreign capital has, therefore, to be necessarily resorted to. Though India views with suspicion the employment of foreign capital for developing Indian industries, on account probably of their tendency to restrict the scope or diminish the chances for native control of such industries, there is still some net advantage in the employment of foreign capital, as otherwise industrial enterprises will have to be indefinitely delayed or postponed, for want of native resources. The foreign capitalist will bring along with himself not only capital, but the organisation necessary for utilising such capital and also technical knowledge and skill. As the Indian Fiscal Commission themselves point out, "apart from the intrinsic benefits of increased supplies of capital the foreigner who bring his capital to India supplies India with many things of which at her present stage she stands greatly in need. It is on the whole the foreign capitalist who imports into the country the technical knowledge and the organisation which are needed to give an impetus to industrial development. It is to him that we must look largely at first for the introduction of new industries and for instruction in the economies of mass production. By admitting foreign capital freely India admits the most uptodate methods and the newest ideas, and she benefits by adopting those methods and assimilating those ideas. If she tried to exclude them, the policy of industrialisation which we contemplate could with difficulty be brought to a really successful pitch. We hold, therefore, that from the economic point of view all the advantages which we anticipate from a policy of increased industrialisation would be accentuated by the free utilisation of foreign capital and foreign resources."

All these remarks apply with special force to the case of the iron and steel industry. For the successful working of the industry even within its own limited possibilities, it will not be enough to give it protection by means of bounties or import duties; the more necessary condition for it is the creation of facilities for an adequate supply of skilled labour, technical knowledge business, power and capital. Without these no industry can grow on modern methods, and much more the iron and steel industry which involves at every stage, highly technical processes, efficient supervision and large plant.

No. 69(a).

Note submitted by Mr. B. G. Mani, dated 10th December 1923.

It is rightly said by a leading journalist that catchwords are the besetting danger of democracy. What can be more seductive than a sweeping formula which promises to make everything right! But is there really any virtue in a catchword—even those two famous catchwords Free Trade and Protection? In their best days these words did not represent eternal truths or heresies. They merely summarized alternative means of dealing with an actual economic situation. To-day what is the situation in this country? The economic strain all over India is heavy and many of our industries are on the point of collapse. This certainly is not due to any inherent defect in our general fiscal policy, but to the abnormal conditions prevailing all over the world. The simple fact is that our foreign competitors are enjoying a unique though a temporary advantage over us due to the abolition, for the time being, of the gold basis for their prices. And the result is that we are victims of foreign flux and dumping and consequently our industries are being ruined. When therefore our steel and iron industry clamours for pro-

tection the issue is not a permanent change of fiscal policy but a call for a temporary measure of relief. Our Press politicians, however,—and also our pseudo-economists of chambers of commerce—forget this real situation and instead each section waxes eloquent on catchwords of Protection and Free Trade.

The united wisdom of the Associated Chambers of Commerce has resolved that the proposed protective tariff in favour of the steel industry *is an intolerable burden on other industries and indirectly on the public generally.* Catchwords again! In view, however, of the state of jeopardy of the steel industry the association recommends the grant of a State *bounty* to it. I had hoped that people who pose as public champions and who show such intense anxiety for public burdens would at least know the simple arithmetic that two and two make four. If a protective tariff is an intolerable burden on the public generally, what is a State bounty and where is it to come from, if not by additional taxation on the public generally, since our budgets continue to be unbalanced? Moreover, if an effective help is to be given to the steel industry in this country how is the public burden due to a tariff going to be any greater than the one due to a bounty? This ought to be apparent even to a school boy. But I suppose the association's cheap flapdoodle about India's public burden is only a thin disguise to cover up its own partisan purveyorship of Free Trade orthodoxy. Let the Tariff Board for whom the recommendations of the association are intended think coolly and clearly. If our fiscal policy is to be guided by nothing more serious than the jigging monotony of the sewing-machine dialectics of the Free Trade school, without deeper analysis of the effect of foreign exchanges on our prices, we shall soon have to close down every industry and face unprecedented financial crisis and unemployment in this country. It is inconceivable that, as things stand, we can save any industry, much less steel industry, from ruin by the device of State bounties. For argument's sake let us suppose our Government accepts the principle of bounties. How is it going to work? To-day the difference between the cost of production of indigenous steel and the cost of imported one from Belgium or Germany is say Rs. 3-0-0 per cwt. Our Government must therefore grant the indigenous industry a bounty of Rs. 3-0-0 per cwt. if it wants to help the industry effectively. To-morrow the Belgian and German exchanges go down and the difference between the cost of Indian and foreign products is increased to Rs. 4-0-0 per cwt. Logically therefore our Government will have to increase the rate of its bounty to Rs. 4-0-0 per cwt. Where will this lead us? Common sense indicates that we shall always be at the mercy of foreign exchanges and the public burden due to the bounty will not only be always greater than that due to the tariffs, but absolutely uncertain in dimensions.

The help to the steel industry cannot therefore be effective by any compromise between Mr. Free Trade and Mr. Protection. We have to go the whole hog or abandon all pretensions of succour to the sick labour and capital of India. When I say this I am not unmindful of the British interests in this country. Unadulterated Protection is our only remedy but this does not mean that India should forget to be an active member of the Imperial Commonwealth. In a very short time Great Britain must get into the fold of orthodox protection. That is her only salvation. Then unless we in this country provide a reciprocal preference for British goods it will be impossible for our agricultural trade to prosper in Great Britain. The conclusion therefore is that for India the only workable and prudent scheme is to adopt Protection and Preference as her new fiscal policy, but in order to satisfy the super-sensitiveness of free traders let this policy be only a temporary measure. When Europe settles down to the normal conditions and its present unholy monopolies, rings, trusts and syndicates, whose operations are the organised negation of competitive equality as conceived by Adam Smith and Cobden, have been scrapped, we can again re-open the question of our fiscal policy.

I wonder why Sir Montagu P. Webb is silent. I must confess I have seldom seen eye to eye with him, but I believe in economics he is the soundest

and most far-sighted Britisher in India. Surely he must know that the present agitation of the Chambers of Commerce and other European associations against protective tariffs for steel industry is inane fudge and nonsense. Why does he not speak? The question of protecting steel industry is not a mere Indian question at all. High imperial interests are involved in it. France is accumulating German steel and thwarting England in every way. If, after England adopts Protection, India continues to remain Free Trader it will be the saddest irony of fate, for, then it will be Indian fiscal policy which will subsidize France to thwart England.

No. 70.

M. S. M. Sharma, Esquire.

Written Statement, dated the 23rd November 1923.

I am herewith submitting to you a small statement on the question of protection to Indian steel industry. I claim to speak on behalf of just those very people on whose behalf Mr. Pilcher claimed to speak in Calcutta. If the Board finds time I should be glad to appear in person. I am not, however, pressing for an oral examination as what I have to say has been made clear in the brief statement that I am submitting.

Written Statement submitted by M. S. M. Sharma, Journalist, Bombay, to the Indian Tariff Board.

I confess I am a protectionist. I am principally concerned here with the steel industry in India. I do not claim to have any special knowledge of the subject except so far as it affects my profession. I claim to speak on behalf of the Indian consuming public. I base my entire evidence on the published evidence of the Tata Iron and Steel Company. It is enough for my purpose to confine myself to only a few aspects of the said evidence. The steel industry in India is a young and struggling industry. It has, as has been illustrated by the Tata Iron and Steel Company, to contend against formidable difficulties. Competition and dumping are chief amongst the difficulties. Really, if active sympathy of Government could be enlisted in the matter of these difficulties, they are bound to vanish. Because, the natural resources in India for the development of this industry are very great. Iron ore is said to exist in large quantities in the iron mines of Bihar and Orissa alone which are expected to last for many centuries. It has also been pointed out,—and it has not been so far disputed and, therefore, one might be excused if he pins his faith on the original statement,—that the percentage of iron in the Indian ore is much superior to that in Europe. Dolamite, limestone, coal and coke are also available in large quantities. Manganese could be had in plenty, it is said, from the Central Provinces mines. When such the case there is really no reason why India should not develop steel industry.

There seems to be no earthly reason against it. But, as has been pointed out, the industry suffers from intense competition and dumping. Remove dumping and remove the unfair competition and the industry will have a fairly steady growth. The reasons adduced for protection of this industry are very simple. Briefly put, they are :—

(1) That the industry is new to India and, therefore should get protection till it gets naturalised.

(2) In India there are enormous natural facilities and possibilities for development in the right direction.

(3) That thereby the revenues of the State would be increased.

(4) That the problem of unemployment could be effectively solved.

These, I submit, are the four principal reasons amongst others which could be urged in justification of a policy of immediate protection. The second of these has already been canvassed. The first requires no argument. The argument in favour of this contention is afforded by John Stuart Mill, who confesses that "on mere principles of political economy protecting duties can be defensible when they are imposed temporarily especially in a young and rising nation in hopes of naturalising a foreign industry in itself perfectly suitable to the circumstances of the country." Every word in this quotation so fittingly applies to the present condition of the steel industry that as a matter of fact if not on merits, it is irrefutable. In one of the

publications of the Tata Iron and Steel Company it has been pointed out that Mill's lines have found justification in the histories of France, Germany, Japan, United States of America and other countries. The third and the fourth reasons, I hope, do not require any special pleading.

Those, who are opposed to protection, do not adduce any other reason than that protection will force up prices and that, therefore, the Indian consumer will be adversely affected. I am very sorry to say, but I could not help saying, that the theory of the consumer is purely a figment of imagination and does not apply to the conditions of a backward country like India. Whatever its value in political economy may be for clearing ideas, in actual practice it has been a bit overdone in this country by Anglo-Indian critics who in the absence of any other argument always resort to the theory of the consumer. Whenever there is a proposal to tax Lancashire either in support of the *Charka* or the mill industry of India, there is the same bogey of consumers trotted forth. But, who are really the consumers of steel on whose account this theory is often resorted to? Certainly not those poor classes of the community for which commisseration would be just, but unfortunately it is rather the big builders and manufacturers to whom it would not matter at all if the price of steel goods were raised by a third. I cannot conceive of a greater blunder than that Indian economists should differentiate between the interests of the so-called consumer and the interests of the nation at large. I say with a bit of assertiveness that there is no such thing as the interests of the consumer in this country, at any rate apart from the interests of the nation at large. Even if it is the case I may be permitted to say that the Indian masses are prepared to trust Indian industrialists in the matter and to pay a higher price for a temporary period if need be in order to help towards India's economic regeneration which would mean to them really much. I claim to have moved fairly intimately with the masses of this country in various parts of India and it is my firm belief that no agitation, however much veiled against protection, is likely to find favour with them.

The Tariff Board could make no graver blunder than to submit to this interested propaganda of a few foreign capitalists and importers. I do hope that the necessary amount of protection asked for by the Tata Iron and Steel Company will be extended to the steel industry in India without any hesitation. The percentage of protection should be necessarily high inasmuch as the Indian companies have to contend against local rates of freight both in railways and in steamships. Perhaps it would have been better if the terms of reference to this Board also included in a limited degree at least the question of railways and marine.

I would also earnestly suggest that the Tariff Board in their recommendation should also provide for a dumping clause in the Indian tariff schedule on the lines of those in Canada, Australia and other countries. The High Commissioner for India in England or any other special officer who may be deputed for the purpose to various foreign manufacturing countries may be expected to inquire into the domestic prices there and report them to the Indian Tariff Board from time to time so that the dumping duty can be effectively fixed.

I claim protection for the steel industry because it is a basic industry on which depends not only other Indian subsidiary industries but also the Indian national defence as has been shown by the Indian Fiscal Commission.

No. 71.

The Fiscal Reform League, India.

Written Statement, dated 15th January 1924.

I have the honour, by direction of the Executive Council of the Fiscal Reform League, India, to send you by registered post, under separate cover,

a copy of the memorandum in the form of a pamphlet under the title: "Protection to Indian Iron and Steel Industry." The pamphlet has been prepared and published by me as Joint Honorary Secretary of the Fiscal Reform League. The League will be glad to furnish any further information or enlightenment that you may need on matters arising out of the memorandum herewith forwarded to you.

Since Iron and Steel goods admittedly play a most important part in the building up of modern industrial communities, it is but fitting that the Government of India, following the Resolution in the Indian Legislative Assembly deciding to remodel the Fiscal Policy of India with a view to accord protection to indigenous industry, should have instructed the Tariff Board, established in accordance with that resolution, and as a consequence of the recommendations of the Indian Fiscal Commission, to carry out a detailed inquiry into the advisability of granting fiscal protection to the Iron and Steel Industry of India. As the evidence submitted to that body, for and against the grant of protection to the industry in question, tends to obscure certain fundamental points involved in the consideration, an attempt is made, in the following paragraphs, to set out at length the points most material to the inquiry and yet ignored, as things stand, or not sufficiently treated.

The scientific case for protection to any industry may be thus summed up:—

> "Scientific Protection, as enunciated by List and accepted even by J. S. Mill, consists of a temporary fiscal aid given to selected industries, which, from inherent advantages of natural resources or other adventitious circumstances of equal efficacy, reasonably promise to be successful within a given period, the success being measured commercially by profits, and nationally by the strength it would bring to the community as a whole. Analysed in its constituents such a principle would necessarily imply:—
>
> (1) That the Fiscal aid granted in the shape of high customs duties with competing foreign products be equal to the difference in the costs of production within the country imposing such a tax and its rivals abroad. (2) In proportion as the efficacy of the protected industry grows within the protective country, the amount of protection granted must be correspondingly reduced. (3) In any event provision must be made for the abolition of any protection to an industry, which, having been given a trial, has either made its position good, in which case it would not need the protection, or has proved a failure, in which case protection to it would be unmitigated waste. The period, however, cannot be fixed by cast-iron rules in advance, and must be left to vary according to the needs of different industries. (4) That protection be at all given to an industry, it would be necessary to make preliminary inquiries giving sufficient proof of the commercial possibilities of the industry demanding protection. Unless and until such a *primâ facie* case is made out by a competent, responsible, and independent body of investigators, it will be sheer waste of the community's energy to contemplate any plan of protection. (5) With such a *primâ facie* case, and on conditions laid down above, the method, the degree and the form of protection to the article selected for the purpose and its substitutes must also be elaborated in reference to the general principles elaborated above." [*Trade, Tariffs and Transport in India*, by K. T. Shah, p. 254.]

This scientific basis for protection does not at all make little of the inevitable limitations to such a policy, nor of the likely loss resulting in the first instance from the adoption of a policy of protection to indigenous industry. The policy rests upon the indisputable basis of the need to develop

fully a country's resources. If there is any burden in fact in adopting such a policy, it must be borne, either as an unavoidable cost of national education in matters industrial, or set off by other considerations of national advancement and self-sufficiency. In practice, the same principle has been elaborated by the Indian Fiscal Commission in the following terms: Paragraph 97 of the Report, laying down the conditions or principles of the grant of the protection to any industry, says:—

"(1) The industry must be one possessing natural advantages, such as an abundant supply of the raw material, cheap power, a sufficient supply of labour, or a large home market. Such advantages will be of different relative importance in different industries, but they should be weighed and their relative importance assessed . . . . No industry which does not possess some comparative advantages will be able to compete with them on equal terms, and therefore the natural advantages possessed by an Indian industry should be analysed carefully in order to ensure as far as possible that no industry is protected which will become a permanent burden on the community.

(2) The industry must be one which without the help of protection either is not likely to develop at all, or is not likely to develop so rapidly as is desirable in the interests of the country. This is an obvious corollary from the principles which have led us to recommend protection. The main object is either to develop industries which otherwise would not be developed, or to develop them with greater rapidity.

(3) The industry must be one which will eventually be able to face the world competition without protection. In forming an estimate of the probabilities of this condition being fulfilled the natural advantages referred to in condition (1) will, of course, be considered carefully. The importance of this condition is obvious. The protection we contemplate is temporary protection to be given to industries which will eventually be able to stand alone."

With very slight modifications, we would accept these conditions as evincing a sane, reasonable outlook for the national industrial development of India. The last condition, for example, is likely, as it stands, to be misunderstood as implying that the protected Indian industry would or should aim at new conquests in foreign fields, after the home market is captured by means of the fiscal protection having been once accorded to it. The ideal of the National Indian protectionists is relatively more modest than such an interpretation of the third condition laid down by the Fiscal Commission would imply. We aim: either (*a*) at developing our own industries so as to get command for them of our own Indian market which is now dependent on the foreign manufacturer and industrialist, but with no ulterior ambitions of conquering foreign markets by the products of our industry with the help of protection; or (*b*) to work up ourselves the raw material this country itself produces to the final stage of goods ready for consumption, whether or nor the realisation of this latter aim is coterminous with the supply of our own market for the goods in question. Should the raw material thus made up into finished goods be in excess of our home requirements, then there would no doubt be a possibility of India engaging in commercial rivalries with other countries in order to find markets for her surplus produce; and thereby be involved in all those international complications, jealousies and animosities, with the inevitable, ultimate consequence of armed conflict in support of established or vested interests. In so far, however, as the gold is the more modest one of just manufacturing enough of one's own raw material produce as to meet one's own demand for the finished goods of that *genre*, there can be no question of ulterior consequences and considerations strong enough to compel a reconsideration of the determination to develop national resources to this minimum degree. If, however, the third condition laid down by the Fiscal Commission aims only at seeking those

industries for protection which would be eventually able to face world competition without protection in their own *home market* only, then there can be no quarrel with their observations. The Government of India have apparently accepted this resolve, with the exception that they have reaffirmed in their official resolution endorsing this policy of national protection, a wholly extraneous, and radically inconsistent, consideration about their revenues. For, speaking as a matter of fundamental principles, it is impossible to combine, in one and the same set of tariff charges in the customs schedule, both protective and productive principles on one and the same article. This fact, however, need not influence the findings of the Tariff Board and so we shall take no further notice of it.

Coming next to the special case of the Indian Iron and Steel Industry, it would be well to clear up some basic points affecting that case right at the outset. (1) The Iron and Steel industry is an industry of national importance inasmuch as the entire structure of modern industrial communities depends and must depend upon the adequate development of that industry, and the corresponding supply of its products. Its success, therefore, though commonly, and outwardly judged and judgeable from the commercial results of the principal ventures in that region, must also be determined with reference to the indirect service rendered to the community by its development. In making up a list of the advantages and disadvantages of a policy of *ad hoc* protection by fiscal manipulation to such an industry, allowance must be made for this factor. (2) The case of that industry is at present represented by only one great concern of Indian origin and management, while the opposition to it is engineered by a whole host of interests not all equally intent upon the proper national development of India. These interests are largely those of mere traders, whose profits depend upon the exchange of commodities irrespective of the real gain or loss to the country as such in that exchange. They would, therefore, naturally and necessarily desire the freest possible exchange, as being most conducive to a rise in their own profits. But for their sake it would not be wise, in the national interest of India, to ignore the needs of this industry or primary national importance, if on other grounds there can be no objection to granting the modicum of protection it demands. (3) As already observed, that industry being represented for the present by a single considerable venture, it is open for its antagonists in the tariff campaign to represent the concession made to it as a concession to a monopolist at the cost of the community as a whole. It must, however, be remembered that there are possibilities of establishing other similar ventures and that there are already in existence attempts at internal competition from other parts of India. In proportion as this internal competition develops, and it must never be forgotten that the protection now demanded is calculated to bring about and stimulate this very factor of internal competition, the *a priori* dangers now alleged to arise from a grant of fiscal protection to the Indian Steel and Iron Industry will diminish, and ultimately vanish. On the other hand, if it is reasonably open to apprehension that the possible internal rivals to the one existing venture would make common cause, after the advent and under the ægis of protection to the entire industry, the remedy lies, not in the negation or denial of the unavoidable protection without which the industry cannot develop at all, or cannot develop as rapidly as is desirable in the national interest, but in those regulations of internal combinations of this nature which tend to restrict the internal freedom of trade.

The Indian Iron and Steel Industry justifies all the conditions as laid down by the Fiscal Commission as the *sine qua non* of the grant of fiscal protection to any industry. The initial or natural advantages, demanded in their very first condition, exist in this instance not merely in the alternative form laid down by the Commission, but in a cumulative form.

The raw material or iron deposits of India are sufficient at the present rate of India's demand in this respect to last us for a hundred years at least, if we merely aim at meeting only our own demands. According to the geological report of 1910 the iron resources of British India are given at

65 millions tons actual reserves and 250 million tons considerable potential reserves. The Geological Survey of India places them at 3,000 million tons, while a figure varying from 400 million tons to 1,400 million tons was mentioned during the examination of the Tata Iron and Steel Company. In a good many instances, these deposits exist in close juxtaposition with the indispensable aid to their development,—coal; while in those other cases, where coal is either not available in the immediate neighbourhood of the iron deposit or is not of the requisite quality or quantity, it is possible to elaborate alternative methods of fuel supply or power resources.

The resources in respect of labour are not less encouraging. In fact the development of local industry on a large scale as an insurance against the great calamity of a disproportionately agriculturist community like the Indian people, or as a means of relieving the present undue pressure of the population upon the soil by means of developing an alternative source of employment to that section of the people who seek a livelihood in the new large scale industries promised to be developed at any cost in this country, is, by itself, a sufficiently strong argument to demand protection to the pioneers of an industry of a modern type, as the one under notice undoubtedly is. The Indian agriculture is overcrowded, with the result that the miserable standard of living of the people of India is still further steadily deteriorating. The annually increasing agricultural exports from India, and therefore the seeming prosperity of the foreign trade which is made so much of in certain quarters, is not really the result of any real surplus of production, but rather of the silent pressure upon the people of India, inexpressibly indebted to foreign peoples under a number of pretexts, to starve themselves or deny themselves, so that these their multifarious foreign obligations, political and economic, visible and invisible, may be fulfilled. New industries developing in India must necessarily take off that surplus population, which now presses unduly heavily upon the still remaining agricultural resources of the country, inevitably bringing in its train that series of evils, which begins with the ever increasing sub-division of agricultural land, till it loses, and must necessarily lose, any chance of an efficient, economical cultivation, and ending in that illusory surplus of exports, which is no real surplus at all, but the outcome of an inexorable tribute, which, by a rare combination of economic and political circumstances, the foreigner claims from us. In the long run, therefore, that agriculture must benefit from a determined policy of industrialisation of this country, not only because agriculture will be relieved of the surplus population now pressing unduly upon the soil and only helping in the progressive pauperisation of the country, ill-fed, ill-clad, ill-housed, with a steadily increasing infant and adult mortality, and with the still more steady diminution of virility in our manhood and womanhood, but also by an inevitably increased demand for the agricultural products within the country itself, which the superior resources of a larger industrial population in this country must necessarily result in, not to mention the higher prices which the increased demand for the raw material of every industry obtainable from agriculture would fetch them for their produce. And this " long run " will, in practice, prove to be astonishingly short, less than a generation in all probability, if only the determination of rapid and intensive industrialisation of the country is inflexibly pursued. And if the industrialists of India adopt the measures, like those of the Tata Iron and Steel Company, for the training up of expert skilled technical labour, even that deficit may be remedied in 10 or 15 years at most.

Finally, as regards the market, the Indian demand for iron and steel goods of all sorts totals close upon a million tons a year. The capacity of the existing Indian Iron and Steel Industry is 125,000 tons per annum pig iron, and 250,000 tons steel goods per annum, which, with the extensions now planned, are expected to increase to 400,000 tons per annum in a single venture alone. The capacity of the rival establishments already in being or in gestation, is estimated at 150,000 tons per annum. There is thus ample room for this industry to develop even under the modest, unexceptionable ideal of getting command for them of our own market only. We do not

advocate protection of a type and a degree which would enable the Indian Iron and Steel Industry to compete with their more firmly established rivals in the foreign markets. But within the local Indian market, there can be no question of the justice of their claim for protection. The hardships alleged to flow from a grant of protection are in part exaggerated, in part the result of a radical misconception, and in part non-existent. They are exaggerated in so far as it is overlooked that one of the primary conditions under which the policy of protection has been accepted by the Government in India, and therefore binding upon any grant of protection at all, is that the protection so granted will be temporary only. A period of ten years, or twenty at most, may be laid down in advance as the utmost margin for the experiment to succeed or fail in. The Tata Company have claimed a minimum period of 5 years and a maximum of 15 years, during the last ten of which the degree of protection initially granted may be reduced. In five years the cumulative loss, granting every point that the protagonists of the demand can possibly bring forward (for the sake of argument only) will amount to Rs. 7 crores in all, at the rate of Rs. 28 per ton extra duty on 500,000 tons per annum. The gain, direct to the Indian labour and capital and to the Indian people at large, and indirectly to the country as a whole from the industrial as well as socio-political standpoint, would simply be immense, in the literal sense. The annual gain from the manufacture of the Tata Company alone at its maximum capacity as now planned would be Rs. 6 crores, at the rate of 400,000 tons of steel at Rs. 150 per ton. Of these, 3 crores would go in wages while the gain to the Government through taxes, direct and indirect, as well as through railways and postal receipts, may be estimated at Rs. 1 crore per annum at least. The hardship of protection omits all mention of a possible growth of internal competition; and, what is still more important, the most probable development of a new vigorous competition from those who, when the present disturbed economic conditions of the world come to be settled, and so have resumed their normal activities, will of a surety compete fiercely among themselves for the Indian custom. The margin of protection to the Indian industry must and will be limited in advance; but the extent of reduction in prices due to severe internal as well as external competition would be impossible to tell in advance. As an illustration let us point out that there has been a fall of over 100 per cent. in the price of steel goods from the 1920 level* and that in cases where, as in the locomotive industry, the presence of a competing Indian industry, compels the foreigner to cut down his prices from £15,000 per a standard locomotive to £5,000, there is a strong *primâ facie* argument that the real burden of an *ad valorem* duty cannot be fairly measured by taking existing conditions as a basis. Prices have fallen still further in 1923. The burden will in all probability be much reduced as prices fall still further; the prices will fall further in all probability as one after another the old steel producers of the world have got over their present dislocation of industry, and as they seek to unload their accumulated stocks, or find markets for their exports aided by depreciated currencies of their own. In that case the protection granted in the shape of *ad valorem* import duties must necessarily lose in intensity, even if it continues to maintain its effectiveness at all; and consequently the burden on the consumer must diminish proportionately.

There is, however, a further aspect of the same argument which must be mentioned here, if only to point how glaringly incomplete and unconvincing is the outcry of those who have made a fetish of the consumers' interest in this connection. Professor Plehn, in his Introduction to Public Finance, mentions several cases in which the real burden of such protective duties is borne by the foreign producer; the most important of these is the case in which the local market is supplied by a group of different and unconnected

* "The price of No. 3 Pig Iron which had remained steady at 180 shillings during August-December, 1919, stood at 240 shillings during middle of June 1920" (annual Review of the Trade of India for 1920-21), Again: The price in England of Cleveland No. 3 Pig Iron was £7-10-0 at the beginning of April 1921, and £4-10-0 at the end of March 1922, corresponding rates for Belgian pig being £6-10-0 and £4-10-0. British angles fell from £17-10-0 to £9-2-6.

foreign producers, whose labour and capital invested in the industry affected by protective duties is so highly specialised that they could not profitably or economically turn over their large expensive plant to any other purpose, and must accordingly continue to produce for the protected market rather than scrap their plant altogether. Says Professor Plehn:—

> "When a new tax is laid on goods produced with the aid of large fixed plant for a limited market, which would be lost if the price is raised, *as long as the producer is unable to change the character of the plant he must pay that tax;* for example iron products from the Rhine to be sold to Sheffield."

Now the iron and steel exports, according to the annual review of the Trade of India in 1921-22, of the five leading nations, the United Kingdom, France, Belgium, Germany and the United States of America, aggregated 8 million tons in 1921, compared with 11¾ million tons in 1920, and 15½ million tons in 1913. The Indian imports are at the most a million tons, or less than one-anna in the rupee of the exportable surplus on the pre-war level, or 2 annas in the rupee of the exportable surplus in 1921. The other principal importers of steel goods have already erected prohibitive tariff walls to protect their own steel industry. India is the only considerable market for this surplus steel production of the world; and it is impossible to say how far price reductions may have to be made still further, now that the war demands and post-war boom are over, in order to meet the conditions of the Indian consumer. The alternative of scrapping or even closing down on a large scale is unthinkable; while conversely the probability of huge stocks now accumulating in countries like Germany must be considered as a potent factor in further price reduction. The pre-war price of pig was about 45 per ton, while the price at present is Rs. 65; that of steel pre-war was in the neighbourhood of Rs. 100 per ton, and at present about 130—thus showing the obvious room for further reductions still visible.

The foreign producers may, in the hope that some supply for the protected market must still continue to come from them, still further cut their prices; and so long at least as the industry in the protected market is not equal to meeting the whole of the local demand, the foreigner's hope to furnish a portion of the supply will not be utterly unfounded. But if this hope is to materialise at all, he must bear a part or whole of the burden of the protective duty himself. And in proportion as the protected industry gathers strength, and the foreigner still continues to compete with it in the protected market, on account of his inability to convert his labour and capital to other and more profitable uses, he must needs bear an increasing proportion of the burden on himself. Now the iron and steel supplies of India are, or can be, derived from a number of highly developed and mutually competitive sources, which will not, cannot, scrap their plant, simply because India decides to impose a protective duty on foreign imports. Their production in normal times is much in excess of their own requirements, which, though capable of expansion, are nevertheless limited. Besides, their productive capacity is also expanding. The Indian demand is only a fraction ⅛ to 1/16 of their surplus available for exports. The conclusion is inevitable that the prices must fall still further, and that in any case the burden of the Indian protective duty need not fall exclusively on the Indian consumer, if at all it does.

It may be incidentally remarked in passing in this connection that the real danger that India has to guard against is not a hasty grant of ill-advised protection to her local industry—the foreign commercial element in her midst may be trusted to see that no such beneficial error occurs; but rather the sacrifice of Indian interests on the altar of Imperial Preference. If, as is probable, the economic rehabilitation of the chief industrial rivals of Britain in Europe results in increasingly severe competition in common markets like India; and if those competitors, adequately protected themselves at home, receive active, if somewhat indirect, stimulus in the shape of depreciated exchanges, there is every likelihood that the British industrialist will

in that case clamour for protection to *him* against this kind of what he would call unfair competition. In that eventuality the interests of the Indian consumers will not matter a straw. And, as the British industrialist can always command a most efficient co-adjutor in India, in the person of the British merchant, he may be certain of a most effective and clamorous support to his preposterous claim. Finally, as the present Government of India is dominated by a spirit of sympathy for their non-Indian compatriots of Britain, there is every likelihood that the real interests of India will be gambled away in a frenzy of Imperial patriotism, which wakes absolutely not a single sympathetic chord in India. That over 95 per cent. of the purchases on account of our railways still continue to be made in Britain, when the Indo-French and Indo-Belgic exchange has been depreciated some 300 per cent. is in itself ground enough to give rise to the analogous apprehensions, even if we leave altogether out of account the German case.

Finally, a good deal of the opposition to the Indian demand for protection to the local iron and steel industry is simply non-applicable: The alleged hardships, even if they materialise, will fall rather upon the trading interests and their ancillaries, than upon the Indian producer—whether labour or capital,—or upon the Indian consumer. Strictly speaking the mere trader is not a producer but only a parasite, who levies a tax for his maintenance upon the producer in industry and agriculture. When to this we add the further fact, that, in India at least, the bulk of the interests involved in our foreign commerce are of non-Indian complexion, and anti-Indian sympathies, the weight to be attached to their outcry against any demand of an Indian national character will not be difficult to estimate. Finally, even if all this were otherwise, if the trader in India were not really a parasite and were in full sympathy with the Indian national aspirations, there is the further all-important fact that the foreign trade of India, in its present character, is obviously organised so as simply to be fatal to any aspirations of national material development. Our exports are mostly of raw materials and food-stuffs. In 1921-22 the exports of food-stuffs from India amounted to Rs. 50·60 crores in value, and of the 4 principal raw materials aggregated another 99·32 crores, or close up on 150 crores, out of the total exports of Rs. 248·65 crores. The raw materials being exported leaves us needlessly poor in the very basis for any industrial development; and so lays the axe most effectively at the very root of our national industrial ambitions; the food-stuffs are exported at all because we consent to starve ourselves that our foreign obligations may be met. We are victimised through our own national sense of honour. But because we either consent or are compelled to be victimised by our foreign commerce, it is not the less true a fact that our present-day overseas trade is a most effective means of our national impoverishment and degradation by draining us of our raw material, and undermining our strength and manhood by taking away, under pretence of free exchange, our adequate means of nutrition. If, therefore, by a deliberate orientation in the fiscal policy of the country, the entire character of this country's trade were altered, as it must be altered, there need in reality be no occasion for regrets. The suffering or hardship from such an orientation, if any results at all, will fall on an essentially parasitical class of non-Indian complexion and anti-Indian sympathies, which it is absolutely no concern of India or Indians to worry about in the least. And this without reckoning the fact that any such reorganisation of the trade of India must only be to the good of India in the long run.

What affects traders may be conceded, other things being the same, to affect, with more or less intensity, all those agencies or institutions which minister to the development of trade only, irrespective of its character or consequences. Ports and means of communications like the railways are instances in point. Much has been made, far more than the intrinsic merits of the case really demand, of the consequential hardships to the port of Calcutta, and presumably to other ports as well, and to the railways of India from the grant of protection to the Indian iron and steel industry. We shall examine in fuller detail later on the contention of the suffering, alleged,

by Mr. Pilcher for example, to be necessarily involved in the proposed change in the fiscal policy to ports and railways. Here let us record, frankly and freely, the logical conclusion of the foregoing argument that if the continued prosperity of our ports and railways depends upon the maintenance of an intrinsically ruinous system of trading then the ports and railways must be allowed to suffer. Of course, as will be shown later, we are not obliged to face any such heroic contingencies. The argument which spins out a long yarn of suffering for the ports and railways is misconceived, where it is not misapplied. Here we are simply concerned with the elementary proposition: that the volume of the foreign trade of a country could be taken to be an index of its healthy, wholesome, development only if the trade enriches, and does not, as the overseas trade of India has invariably done ever since the British supremacy was established in this country, impoverish or exploit the people or the resources of that country for the benefit of another; that the present day trade of India does not at all meet these requirements; that its diminution or even total disappearance is, under the circumstances, not necessarily a matter of unqualified regret: while its reorganisation on a sounder, healthier basis cannot but be welcomed; and that all institutions and ancillaries of such an iniquitous or unprofitable trade should occasion no compunction or regret, if they unavoidably suffer with this essentially unsound and unprofitable trade.

Before taking up more particularly the arguments specifically advanced against the present demand for the protection of the Indian Iron and Steel industry, let us here dispose of, very briefly, two side issues, which have been needlessly interpolated in this discussion by an imperfect acquaintance with economic dogma There is nothing so dangerous as the short, crisp aphoristic statement, like, for example; that the exports pay for the imports. As a matter of actual fact, both exports and imports are paid for by the common medium of exchange, without whose intervention international exchange would never have reached the dimensions it has. The aphorism is, therefore, not true in its literal interpretation; for no specific item of export can be said to be ear-marked in payment for any given item of import. The statement is true at all in the sense that in the aggregate the exports may and do largely serve to pay for imports; and that the payment of either by means of the international medium of exchange is avoided, or reserved only for the balance, because we have developed, thanks to the exigencies of international trade, a whole host of institutions whose sole care and business it is to see that the actual payment in money, (in whose terms be it remembered every international, like every transaction of local, exchange is made) is avoided or minimised. And even in this sense the statement is true only with very considerable modifications. In not a single country, and probably in not a single year, the visible exports just exactly equal and balance the visible imports. There is always and everywhere a balance, which a refinement of reasoning seeks to explain away by including the so-called invisible items of services and securities. Even then the total of goods and services and securities, exported or imported, do not invariably, or necessarily, balance. The statement is thus true, if at all, in a very broad sense, and with very considerable limitations. Now, to base upon such a foundation any argumentative structure must necessarily be a very chancey affair. To argue, for example, as Mr. Pilcher has done, that since the exports always pay for the imports, any fall in the imports, brought about by the artificial means of a tariff manipulation in the protectionist direction, must of necessity bring about a corresponding fall in the exports; and that such a wanton diminution of the exports of such a country like ours cannot but be highly censurable, since the bulk of the exporting interest is the agriculturist interest, which is so poor that it is almost a crime to restrict, directly or indirectly, its opportunity to seek the most profitable market for its wares, is as misleading as it is ill-founded. For it does not at all follow that even if the imports of iron and steel goods into India do contract owing solely to the imposition of a protective duty on these goods, the total exports of India must fall in sympathy. Twenty years ago Lord Curzon's Government made an exhaustive inquiry in this

very subject, and came to the conclusion that the bulk of India's exports were of such an indispensable character to the importing country that there was no reasonable probability of their diminishing because of any protectionist policy in foreign countries, India's customers. In their own interest they must and will welcome these articles from India. And 20 years after the situation has, if anything, still further improved in favour of India. There is absolutely no ground to conclude that even if the protective duty, when imposed, on steel and iron imports into India, does lead to a contraction of these imports, the exports from India must suffer in consequence or in proportion, or that the Indian agriculturist would suffer thereby.

The other similar side-issue is connected with the interminable maze of exchange consideration.

> "The permanent reduction of importation in the iron and steel and machinery group, on a scale parallel to that observable of late years in the cotton piecegoods section, would result (more especially if accompanised in the export trade by a rapid expansion of iron and steel despatched) in the creation of a balance of trade so "favourable" to India,—but in reality so excessive as against importing countries that a high rate of exchange, involving further reduction of the world's already restricted buying power, would become all but inevitable. The sufferers would be the producers, manufacturers and exporters of India's agricultural output and semi-manufactured goods". (Pilcher).

This argument rests upon a series of misconceptions and false assumptions and half-truths. Let us take them seriatim. (*a*) The exchange movement, sufficient in degree materially to affect India's exports by the process outlined in the above argument, is conceivable only if the foreign exchanges in or with India were entirely a matter of free and normal operation of the natural economic laws in this connection. As a matter of actual fact, however, the foreign exchanges of India are strictly controlled and controllable by the Government of India. It is indeed, not suggested that the power of manipulating the exchange value of the rupee does not permit the Government a wide license in practice; nor that the license has not in the past been shamefully utilised to the grave prejudice of Indian trade and industry. Facts of recent currency history are dead against any such admission. But assuming for the sake of argument, which people of the Pilcher type cannot question, that the Indian Government does or should act exclusively and entirely in the Indian national interest in every exercise of their formidable reserve of currency manipulation powers, we can not conclude that efforts will not be made—or cannot succeed if made—in so regulating exchanges as to prevent the series of catastrophes Mr. Pilcher assured himself is inevitable if once the balance of trade becomes "favourable" to India, (*b*) the balance of trade has, besides, been always "favourable" to India, except in the year when the Government, in a frenzy of meddling with the exchanges, gambled away the resources of India, and thereby killed a perennially favourable trade balance for a year or two. The slight restriction on imports, which is at all likely to follow as a consequence of the protection of our local iron and steel industry, cannot possibly bring such a considerable influence on our foreign exchanges as to harm the exports of India in the manner, or to the extent, implied by Mr. Pilcher. Even if the Indian industry really gets a most effective protection in spite of the likely further fall of prices or dumping, it cannot meet the Indian demand at its present dimensions for a good few years to come, let alone any allowance for the normal expansion in that demand. There can thus be no room for any hopes of India exporting *her* own iron and steel goods, as Mr. Pilcher has paranthetically insinuated. The reduction in imports—or rather the difference on the balance—will not, in the event of our most sanguine expectations being realised from this our first protectionist experiment, exceed 15 crores per annum. Our existing favourable trade balance has ranged from Rs. 50 crores to 120 crores in the last decade; so that the utmost affect on the exchanges cannot exceed 30 per cent. (*c*) But this

reasoning implies that international trade is so rigid that it cannot, and will not adjust itself if once disturbed. As a matter of fact the trade most easily adapts itself to altered conditions. If imports fall in one direction they are almost certain to rise in another, and thereby compensate for the fall. The history of the most vigorously protectionist countries like Germany or the United States is conclusive on this point, and there is no reason to apprehend that it will not be repeated in India. Those who ignore these staring facts of recent economic history can have no claim to be heard in such matters. (*d*) The variation, moreover, in the trade balance of India during, and on account of the War, was large enough to warrant the belief that, properly handled, the balance can be coped with without prejudicing our export trade. During the war, in spite of every attempt by the Government and their allies the banks to restrict non-essential exports from India by price control and financial restrictions, the total volume of exports from India went on increasing till it reached the record figure, which gave a trade balance in favour of India of Rs. 120 crores in 1919-20. But in this period the great stream of payment due *from* India in connection with the Home charges had not only dried up; but that stream was actually reversed owing to the Government of India having undertaken large payments on account of the British Government for their numerous side shows in Africa and Mesopotamia, etc. The recoverable expenditure on account of the Home Government amounted to 198·1 million sterling between 1915-16 and 1918-19. The balance of accounts in favour of India was thus much larger than even the balance of trade. Nevertheless the Government succeeded for two years in maintaining the exchange at the fixed point; and even when they departed from it, the departure was by slow degrees, and under a misapprehension of the available alternatives. Had the Government of India done what, under similar predicament, the Government of the United States did, there need have been no necessity of raising the exchange at all. India owed considerable amounts to foreigners, mostly Britishers. Had the strong favourable balance of accounts between 1914—19 been utilised to buy up these foreign holdings of India's indebtedness, there would have been no exchange problem at all, and no such series of disasters as commenced in 1920. But as the Indian Government of to-day is distinguished by a perversely anti-national view in such matters, we suffered an exchange debacle deliberately brought about by Government action, and absolutely unparalleled in any other country. But the blunders or crimes of the Government of India cannot be made a reason for misreading the economic situation. It is possible to control and maintain our foreign exchanges at a given point, notwithshanding a disturbance in the trade balance far greater than the one likely to result from granting protection to the Indian Iron and Steel Industry. (*e*) And even the supposed disturbance in the trade balance is largely imaginary, since the United States after the War has erected a tariff barrier higher and more forbidding than ever before, has an exchange in its "favour" with almost every country, and still has suffered no great diminution of trade to speak of. The example in our judgment is conclusive against the bogey conjured up by Mr. Pilcher and his kind (*f*) Finally, even if our foreign exchanges were and could be left to be adjusted by themselves; if they were regulated as in normal times, the disturbance, if any, will bring its own corrective. The fall in imports due to the rise of prices must and will also react on the exports; and would consequently restore the exchange equilibrium even if we grant that it can and will be disturbed effectively by such means.

THE BURDEN ON THE CONSUMER.

Let us next turn to the principal limitations of a policy of national protection. Says the Indian Fiscal Commission:—

> "The burden of protection arises from the increase in prices. It is obvious that an import duty tends to raise the price, not only of the imported article, but also of the competing locally produced article. Cases are analysed by economists in which for special

reasons or for temporary (sic) periods, the normal result does not follow, or follows only partially. But broadly speaking there is no dispute as to the tendency of import duties to raise the prices of the article taxed ". (paragraph 68, Majority Report).

This observation, though not quite so sweeping as the majority of the dogmatic free-traders indulge in, needs to be analysed before it can be accepted even in its modified form. But it is first necessary to dispose of a most common misapprehension in this connection. The case of the consumer is generally held up as the " open sesame " of the free trade argument. But who is the consumer? Is the sympathy demanded on his account really justified? There is a prejudice which holds as though the consumer was always a poor, helpless personage, whom the industrialist is invariably out to exploit, and whose exploitation would be all the more facilitated if the State artificially and deliberately protects the exploiter. But, except in the case of the commodities which being, like food-stuffs in England, the most elementary necessaries of life, are of universal consumption, a tax on which would really be a burden on the large bulk of the community for the benefit of the relatively limited class of the producers thereof, the consumer is often as strong as, if not even stronger than the producer, being as well organised, efficient and equipped as the producer, who, therefore, does not need or deserve the sympathy commonly claimed on his behalf. The reason is simple. Most consumers are themselves producers. Let us illustrate the point by an analogy. In the Middle Ages there were, in almost every civilised community, laws against usury on the common, and, in those days, well-founded assumption that the borrower was weak, helpless, and therefore to be pitied. Much of that prejudice still survives. And yet the situation is radically altered. The most considerable and important borrowers of to-day are not the oppressed, ignorant, impecunious peasants, or enthusiastic warriors setting out to fight for an ideal at the sacrifice of everything, but great, well-advised governments or other public and private corporations, able to know the uses of money much better than their lenders. Though the old type of the poor agriculturist or artisan borrower still continues, we do not nowadays advocate a series of anti-usury laws on the simple assumption that all borrowers are to be pitied and protected. Laws are now-a-days as often necessary to protect or safeguard the interests of the modern lender to the modern borrower as the other way about. Precisely the same is the case with the conflict between producer *v/s.* consumer. The consumer, whenever he happens to be another large corporation engaged in further working up of a particular commodity, may be trusted to know his interest sufficiently well to safeguard it by every means in his power. And nowhere is this argument so important as in the case of the consumers of iron and steel goods. With the exception of the users of agricultural implements, the steel-consuming classes enumerated with such meticulous and praiseworthy precision by Mr. Pilcher are all strong corporations, who do not *ex-hypothesi* need our commiseration.

The consumption of steel and iron goods in the case of these corporations—Jute and cotton mills, coal-mines, tea-gardens, Port Trusts, Railways, etc., usually takes the form of machinery and mechanical equipment required by them. In so far as modern industry may be regarded as indissolubly chained to mechanical contrivances of steel, without which it cannot possibly function, we must admit the establishment or creation of steel-making industry in any community having industrial ambitions and possibilities to be the *sine qua non* of those ambitions. The entire industry of that community will run the risk of being paralysed, if it does not possess its own steel making plant, and has not its own facilities for producing machinery. And this risk might arise not only from the unusual contingency of a world-war, or at least of a war in which the community deficient in steel-making facilities is itself involved, but even in the normal times of peace, thanks to the very common possibility of combination among the foreign steel producers with a view to exploit this backward market for their own profit. Such international combinations are by no means unknown or unlikely in the

future. We have but to consider the example of shipping in Indian waters, which has built up in many places a strong monopoly by means of the Conference and its weapon the Deferred Rebate System, which is thus enabled to exploit freely the shippers for the benefit of the ship-owners, and whose organisation of monopoly every competitor is practically compelled to join, as an illustration of what might happen to the whole Indian industry, modernised with large-scale production and mechanical equipment, if the principal suppliers of iron and steel to the Indian market are combined to exploit India. This danger is the more to be dreaded while the Government of India continues to be a foreign bureaucracy, irresponsible to the Indian people, and often antagonistic to the Indian national ideas. The establishment of such a basic industry must accordingly be judged not on considerations of commercial profits only, but rather by those of national self-sufficiency against very common contingencies of the modern international industrial and commercial, not to say political, life.

Even on grounds of commercial profit only, the encouragement of the Indian Steel industry, by means of a reasonably protective duty for a given short period, will not result in a danger by no means quite so great as it has been represented to be. Admitting for the sake of argument the very worst proposition that could possibly be alleged against this policy, it only amounts to saying that, if the duty does raise the price, there will be an increase *pro tanto* in the initial cost of a great modern industrial establishment requiring mechanical appliances of steel. This cost, however, may not increase if (*a*) either any part of the duty is borne by the foreign producer, a not at all unlikely contingency for the Indian market, as we have shown above; or (*b*) if the prices of the taxed article are actually falling owing to extraneous international forces We have already illustrated and explained both these conditions above; but we may repeat here the illustration of the prices of a standard type of locomotive which were £15,000 in 1919-20, £10,000 in 1920-21, and £5,000 in 1921-22. If an additional duty of 23 per cent. is levied at a point, when the price let us say was £12,000, the actual cost at a time when the price is £5,000 would not be £16,000, as the argument of the burden implies, but only about £7,000 or less, which is far below the basic price itself. We cannot say exactly if all the possibilities of further price reductions in steel are exhausted. If and when Germany comes into her own, or works hand in hand with France in an industrial alliance, the steel price may fall still further, even without reckoning the American desire for a bid on the international market. Anyhow, a duty of 33 per cent. on a price of Rs. 120 per ton gives an internal Indian price of Rs. 160 per ton, supposed to be a sufficient margin of protection to the Indian Industry; leaving it a possibility of 15 per cent. profit on capital, or a cost price at Rs. 136 per ton.* But if the price of foreign steel should be further reduced to Rs. 100 per ton, a by no means improbable likelihood—the entire margin of protection would vanish, unless the management of the Indian industry succeeds in making further economies of its own. That is one reason why in cases of an initial grant of protection to any promising industry, it would be advisable to have specific duties (say Rs. 40 per ton) in preference to *ad valorem* duties, which have a nasty trick of betraying the interest sought to be protected in a most inconvenient manner. But in the main such a course of events would cut away the entire argument of likely burden to the consumers from a protective duty.

Granting next, (again for the sake of argument), that the entire duty results in a corresponding increase of the price, the burden is not at all of that ruinous character that it is made out to be. And herein let us emphasise one cardinal feature of modern industry, which is but too often ignored by people who glibly talk of the rights of the consumers. In all reasonable

* The Tata Iron and Steel Company have based their recommendation on a basic price of Rs. 150 per ton, which, with a duty of 33⅓ per cent. would mean an Indian c. i. f. & c. price of Rs. 200, where as their cost price is slightly under, Rs. 180 per ton. This, however, is excessive; and the remedy in our judgment lies in imposing a specific duty of Rs. 40 to 50 per ton, rather than an *ad valorem* duty. But of this more hereafter.

protectionist countries the policy of exempting from taxation all aids to industry is too firmly established to be questioned. But the kind of aid offered to industry by machinery and by raw materials is essentially different, and hence their different treatment in the protectionist systems. For the raw material is an item of recurrent cost: and so the burden will recur every time a new output is made, if the raw material is taxed. If machinery is taxed, on the other hand, the burden, even if it occurs at all, occurs once in twenty years on an average, the normal life-time of modern machinery. The cost, besides, of the raw material gets into the working expenses; and a tax on it becomes an item directly in the cost of production. The cost of the machinery is, on the other hand, an item of capital outlay; and a tax on that gets, if at all, in the cost of production in a remote and indirect manner. According to the estimates or statistics available on the subject, it appears that mechanical equipment absorbs 40 per cent. of the initial capital outlay in a modern, industrial establishment like a cotton-mill, while the remaining 60 per cent. is taken up by buildings, plant, and fixtures. The day to day working capital is provided by floating debt, the interest on which is paid off as an item of working expenses, and not reserved to share in the profits. If now a reasonable anticipation of profits is 10 per cent., allowing for all risks, an increase in the initial capital required, by means of a protective duty of 33 per cent. on machinery, would raise the capital required to 113 units in place of the old 100, on which the anticipated return of 10 has now to be divided giving a return of $\frac{1000}{113}$ or 8·85 per cent. This decline in dividends on capital will occur at all if we assume (1) that there is no chance of reducing the proportion of capital outlay on machinery, by reducing the whole capital charge by adding to the bank overdrafts or floating debt, or (2) that there is no room for adding to the turnover, or (3) making any other economies which would avoid this decline in dividends. The average profit from the modernised industries of India—jute, and cotton, coal-mines and tea-gardens, engineering-workshops—are well over 10 p. c. on an average in recent years.

The decline would thus be by no means so very severe even if it occurs at all! A tax has often acted in experience not as a hindrance, as it is alleged to be, but rather as a stimulant to make all possible economies so as to avoid the likely hardships. And therefore, the argument of the burden, speaking generally, would have no bearing in fact.

A point, seemingly of detail, but in reality of considerable practical importance, may also be urged in this regard. The burden of the proposed protective duty on steel goods or machinery can only fall upon *new* ventures now to be started, and that too on the assumption that prices will never fall further. The old ventures already existing in several fields will not be affected by the incidence of the future duty. If any of them are suffering owing to any part of their mechanical equipment being received or renewed during the period when prices were at the peak in the war or post-war boom, they must be held to be suffering from the consequences of their own imprudence, which can found no claim to a special consideration from the community at large, especially when the consideration demanded would postpone the material development of the whole country. The statistics of the companies going into liquidation is only a proof of the imprudence or want of foresight that has affected the entrepreneur in India in the last few years. Speaking of the jute industry of Calcutta Mr. Pilcher observes:

> "It was and I believe remains the ambition of the jute industry on the Hoogly to maintain a steady ten per cent. increase in the number of looms operating on the river, New construction should, therefore, given healthy conditions, be maintained in the region of 4,400 new looms per annum, calculated in the basis of the overall capital expenditure now necessitated by the erection of new mills, namely Rs. 9,000 per loom ultimately operated, that rate of new construction would entail the annual expenditure of some Rs. 4 crores per annum, of which $\frac{2}{3}$rd or $2\frac{2}{3}$

crores would be assigned to machinery mainly of steel composition. Since the War at least two plants have been laid down in India for the manufacture of this machinery. Granted the proposed protection of steel, these and all such enterprises for the manufacture of jute mill machinery must necessarily be afforded a protection of their interests proportionate to that assigned to the steel industry or be compelled to close down."

If the assumption underlying this admission is conceded, it would amount to this: that instead of the annual capital expenditure in the jute industry for its normal expansion being Rs. 4 crores only, it would be Rs. 4·75 crores owing to an increase of duty by about 23 per cent. on machinery. In the past that industry has not always maintained Mr. Pilcher's assumed rate of expansion. Assuming that the average profit of the jute industry is 15 per cent. now, the 60 lakhs additional profit would be divided between 475 lakhs instead of 400 lakhs, or a dividend of 12·63 per cent. on the additional capital. The profits of 36 jute-mills with an aggregate paid up, ordinary capital of Rs. 6·67 crores amounted to Rs. 3,57,73,624 in 1922, and to Rs. 2,56,69,108, for the first half-year of 1923, or a percentage of 53 p.c. in 1922, and of 77 p.c. in the first half of 1923. The above, therefore, would be no great reduction of profit, even if such a reduction does result at all. But the fact is ignored in this argument altogether that the jute industry enjoys a monopoly, which should always enable it, if it is adequately and efficiently organised, to pass on the burden of any such tax to the foreigner. It is the sole justification of the existing export duty on jute, and will continue to be the justification of any further duties that may be imposed on that industry directly or indirectly. Under the circumstances, the observation of Mr. Pilcher that:—

"To contend that, because the jute mill industry has enjoyed a prosperous decade, it should be taxed in its capital and replacement outlay in order to assist in the foundation of another industry is, from the economist's point of view, puerile."

is more than commonly offensive and misleading. The jute industry has not only enjoyed an unusually prosperous decade; but it is in a peculiarly entrenched position of natural monopoly, reinforced by a strong, continuous, and relatively inelastic demand. It is in a position easily to shift its burden. It has room for further internal economies, judging from the report said to have been submitted by a special expert in 1912, but over-looked during the flush of prosperity that followed in the war, and its wake. Accordingly if a change of fiscal policy in the broad national interests demands that a burden be imposed; and if in sheer recognition of the requirements of distributive justice in the apportionment of the burdens of a community, we have to cast about for the entities most easily able to bear the burden, it is impossible to find, under existing conditions in India, any industry more easily able to bear this additional charge,—or rather its share of it,—than the Jute mill industry.

We are, indeed, not suggesting by this argument that there is no room for normal expansion in our local industries, or that the expansion must be postponed if the loss due to increased duty on machinery becomes very substantial. Business men will, of course, of their own accord, postpone any such capital commitments, if they feel convinced that the prices have not yet touched the bottom. To such men there can seem no wisdom in an *ad hoc* rule or expansion, like the 10 per cent. expansion suggested by Mr. Pilcher. But apart from such common business prudence, the demands of industrial development may be interpreted in one of two ways, alternatively or even concurrently. India might either aim at industrialisation to a degree when she could supply at least her own demand from her own production; or she might aim at making up to the stage of finished goods ready for consumption at least all the raw material which she herself produces, whether such a production is just equal to her own demand for finished goods, or in excess of it. In the case of cotton, India produces 50 lakhs of bales of cotton on an average in round terms per annum; but her mills

can consume only 20 lakhs of bales. There is no doubt room for improved efficiency and further internal economies in the existing cotton mills, so that properly worked, even existing mills, with their present equipment, could consume another 10 lakhs of bales. But still there is room for expansion if the ideal of working up a country's own produce of raw material is accepted. All such expansion, estimated to cost about 15 crores more of capital outlay as against 40 crores already invested in the cotton mill industry of India, will be rendered more expensive, if prices do not fall by extraneous causes, by the proposed increase in import duties. Of the 15 crores thus required, about 9 crores may be allowed for machinery, which would cost about 2 crores more, if the entire burden of the increased duty has to be borne by the promoters of the expansion. These, together with the capital already invested, will make a total liability of 57 crores. But in the lowest year (1923) the profits have been estimated at 5 crores; and if the expansion at least keeps up the lowest rate of profits, the total profit would be 7 crores. But 7 crores on 57 crores would give a dividend not materially different from what 5 crores of profit would give on 40 crores of capital. The expansion, therefore, need not be deterred by any such dread of increased cost of capital outlay.

But the advocates of "no protection" make very little allowance for the possibilities of effecting further economies in the internal management or organisation of a modern large scale industry, which, in the insouciant days of laissez faire, were never properly searched for; but which the moment a tax is imposed will have to be minutely investigated into if the equalisation of dividends is to be maintained. Industrial taxation often acts as a most salutary spur to speed up managers, though it may not be to the interest of those managers to stress the beneficial effects of such taxation too publicly. We have already instanced the case of the jute industry, whose possibilities of further internal and external economies are said to have been carefully studied and reported upon by an expert specially called in for the purpose, but the exact magnitude of which is not properly understood on this side of India We may instance, next, the case of the cotton industry, in which those most competent to judge allege that there is corruption enough to account for at least 25 per cent. increase in the apparent cost of production. Will not an indirect tax upon the capital outlay in such an industry stimulate the management to do away with this corruption, and so maintain, if not increase, their usual level of profits, when the latter are threatened by an increase in the capital at charge?

The most notorious example of the immense room for such economies is provided by the Indian railways. Mr. Pilcher contends :—

> "In view of these desiderata (*i.e.*, need for further expansion of railways and the impossibility of any further increase in rates and fares) essential as they are to the rehabilitation of both Imperial and Provincial schemes of taxation, no less than to the progress of the country's industries, the present is scarcely the ideal moment for the adoption of a tariff policy, which, whatever its ultimate benefits, must for years to come increase the cost of railway construction and maintenance. Considerations of the security of the tax-payers past investment of 600 crores in the railway system should surely exercise a material influence when claims are made on behalf of a nascent industry, the private investment in which still falls short of 20, and may never attain the limit of 100, crores.

His contention, however, rests upon a series of false analogies and misconceptions, which it would be impossible to examine at all carefully in a general statement like this. To give but one example, the calculation of the railway needs of India simply by reckoning up the total mileage and population, and comparing these with similar data from other countries, is a mischievously false analogy, all the more dangerous because it sounds so plausible. We must consider not only the mileage and the population, but also the productive-

capacity of that population, the volume of their internal and external trade, the relative costliness of the construction and maintenance of these railways and consequently of their charges, the possibility of cheaper alternative means of communications, and a whole host of other similar factors before we can say whether a given mileage is adequate or not for the transport needs of a given country. It is the considered judgment of many Indian economists that the railways we already possess are excessive for our present needs, and too costly in the service they render; that their construction and alignment has not always been governed by the most economic or commercial considerations; but that rather political or military factors have been predominant in India, which are not even now abolished; that, thanks to the continued heavy programme of capital investment in railway construction and expansion, the State in India has deliberately ignored the possibility or profitability of inland navigation as an alternative to railway communication; that the present losing state of the Indian railways (they have never really made a profit in the true commercial sense of the term) is due to the immense wastage and neglect of war-time, the blame of which there is no reason to father upon the present proposal for a protective treatment of the Indian iron and steel industry. In view of these opinions and beliefs, it would be absurd to press very much the alleged hardships on the Indian railways as resulting from our first experiment in protection. Besides, thanks to the long term contracts, which the Tata Iron and Steel Company has entered into with the Railways for the supply of steel at a relatively low price, as also with many other considerable producers of finished steel goods worked up further from the steel supplied by the Tata Company, the alleged burden from the import duty will not affect the railways and the other principal consumers of steel at all. Sixty per cent. of the present and future Tata output is already contracted for at these prices, Mr. Pilcher has himself admitted that "From these figures it is difficult to assess the proportion of Railway outlay, capital and recurring, in which steel plays a predominant part." But immediately afterwards he forgets the moderation and wisdom of this remark, and assumes that ½ of the proposed outlay would be affected by the proposed change in the tariff policy. The assumption is wholly gratuitous. But even granting it, the charges against the railways are by no means exhausted. Even the cursory investigation of the Inchcape Committee in railway expenditure has revealed immense wastage, which will never be remedied if we keep on pampering the railways, by keeping them safe from all further taxation, direct or indirect, lest the investment already made in the railways might suffer, and the prospects of the one yet to be made be imperilled. Take the following gems by way of illustration:—

(1) The average consumption of fuel per engine-mile increased between 1913-14 and 1922-23 from 67·5 lbs. to 82 lbs. or 21 per cent. on the broad gauge lines, and from 44·4 to 52·7 lbs. or 19 per cent. on the meter gauge lines. Including the rise in the price of coal, the total cost of fuel on all broad gauge lines rose from 4·09 to 8·62 crores or 110 per cent. though the increase in quantity used was only 37 p.c.,—a clear case of waste suggesting possibility of economies of at least 25 p.c. in this single item.

(2) On the 5 principal lines selected in the Report for illustration though the average mileage covered by an engine fell, in the period under comparison, the average the cost of repairs and renewals to locomotives uniformly rose from between 55 and 243 per cent. while the similar cost of repairs to vehicles in stock on the seven lines illustrated rose from between 114 and 388 per cent.

There is not a single instance of reduction in the charges, though the working expenditure has on the whole increased by over 100 per cent. And yet, as the Inchcape Committee has pointed out in unmistakable terms, a very substantial proportion of the programmed expenditure of 150 crores in 5 years (*i.e.*, 67 crores in round figures) is devoted to unremunerative lines. A business enterprise like the railways of India, which admittedly leaves so much room for economy in working expenses, and the extension, renewal,

repairs or replacement of which is programmed on not the most economical lines, cannot in fairness be heard if they demur to a step of indispensable help in national development. For if they press too much this their unwise demurrer, the inquiry would be inevitable whether we really want the extensions our railway administration clamours for; and whether, if the present proposal increases their cost, it would not be wise for the railway administration to curtail their programme of expenditure pending at least the greater stabilisation of prices, or the realisation by the Indian steel industry now seeking protection of its goal, when again the costs might have fallen. The argument based upon the alleged hardship to the railways is, in fine, so tricky, what with errors of commission and omission all through their history by the Indian railways, and what with their essentially wrong and injurious attitude, that no sharp-witted, far-sighted person would have advanced it. The excuse moreover, cannot be allowed to the railways of India that if the cost of their material is increased by the present proposal they should be allowed to increase still further their rates and fares. There is no room for any increase in this department, not only because of the still remaining vast economies which the railway administration must carry out before they can ask for any such concession; but also, and more forcibly, because railway rates are based and varied, not on such elementary considerations of the cost of production, but on what each class of traffic can bear.

What applies to railways applies with no less emphasis to the ports of India. The commercial corporations now governing the principal ports of India may plead that by any increase in the customs duty, if the imports fall off in any considerable proportion, the total volume of the trade passing through the port must decline by an inevitable reaction on the exports as well; that if the trade declines, and the capital commitments of port authorities remain undiminished, or increase still further, the financial equilibrium of those authorities could only be attained by a further increase in their charges, which cannot but act as a still further deterrent to the local as well as the foreign trade of the country, without taking into account the increase in their own capital outlay by the increased cost of that portion of it which is invested in steel goods. But this argument, like the similar one of railways, ignores altogether the possibility of economies in port management: nor does it make sufficient allowance for the increments in port revenues owing to the rapid development of the property recently acquired by Port authorities like those of Bombay. And the argument, of course, is utterly innocent of any conception of those deeper forces which bring about, in the trade between nations, compensating adjustments automatically. If steel imports fall off, there is no reason immediately to conclude that *all* imports will decline, or that there won't be any compensating adjustment; and much less reason there is, of course, to hold that exports will proportionately decline in sympathy. But we have already treated of this argument more fully in another connection in this statement, and need not, therefore, labour it further in this connection.

The case of the coal industry stands on an entirely different footing. We may endorse unreservedly the pronouncement of the Indian Fiscal Commission on this head, that:—

> "An abundant and cheap supply of coal is the foundation of the future industrial progress in India. x x x x This is one of those cases in which we are convinced that the protection of the basic industry or raw material would not be to the advantage of the country as a whole. Cheap coal is essential to industry, *and we are not prepared to recommend any measure which will make coal dearer.*"

But the just interpretation of this dictum would only mean that the Commission would not advise the imposition of import duties on foreign coal to afford protection to the domestic coal. It does not mean that the interests of the coal-mine owners shall constitute a bar to any proposal for the encourage-

ment and development of any other basic industry, like iron and steel. The fact is the coal industry of India has been demoralized by the accidents of post-war development. The panicky, not to say criminal, precipitancy with which the Railway Board or its agent placed long term contracts with collieries for coal-deliveries to the railways, at absurdly high prices, is the root of all mischief, and has been reinforced by the fatal policy governing the recent increases in railway rates, which threatens to exclude the Indian coal altogether from the industrial centres on the western coast of India. It is bootless to mention the effect of subsidies granted by the African Government to Natal coal. The remedy, however, for reviving the Indian coal industry lies rather in a demand for a revision of the suicidal railway rates policy, than in any senseless opposition on its account to the demand for protection of the steel and iron industry.

On a general review of all the arguments about the probable burden likely to fall upon the consumer from a protective duty on foreign steel, then, it appears that either the burden is exaggerated out of all proportion, or that sufficient account is not taken for the benefit likely to result from the development of that industry as a counterpoise to the burden, if any. The antagonists of the proposed protection make much of the probable rise in prices; but they forget that the incidental gain in the shape of saving of all the medley of charges by way of agents' and banker's commissions, insurance, freight and other middlemen's charges, which are estimated on good authority to aggregate to some 25 per cent. of the F. O. B. price of the foreign material, is quite large enough to offset the whole increase in duty. On the total imports of iron and steel goods of all sorts, aggregating Rs. 80 crores in value, this saving alone would be Rs. 20 crores per annum if the industry was developed in India. The Indian railway charges are no doubt a factor to be reckoned with for all output of the Indian steel industry not consumed on the spot. But that is an argument for the radical revision of the Indian railway rating system, rather than for the ignoring of the concealed hardships or charges of importing such an essential material from outside sources. Moreover all the chances of a likely fall in prices will materialize only if India has a steel industry of her own that could threaten effectively to capture the Indian market if the foreign producer does not reduce his prices. If the Indian market is left absolutely helpless without any local supply of its own, there can be no hope of the foreigners making a present to India in the shape of unnecessary price reductions; so that even in the immediate interests of the consumers in India of steel goods, if full advantage is to be taken of all the factors affecting or likely to affect the world steel market in the near future, it is a wise step to concede the demand of the Indian industry for protection.

The point made by the antagonists of the demands as to the absence of the most economic management by the premier Indian Iron and Steel concern does not make an argument for negativing protection altogether to that industry, though it is possible to expect and obtain guarantees from such a concern that the wastage of the resources by dissipation in extravagant dividends, or overcapitalisation with a heavy fixed rate of interest to the greater portion of the capital, will not recur. With the grant of protection, the old policy of utter indifference to the internal management of such industrial concerns must be abandoned, if only to see that the burden imposed on the community is not thrown away altogether. It is a normal consequence, for example, of a protectionist system that wages in the protected regions should rise. It may quite possibly be that at a given moment, imperative considerations of internal economy might prevent a rise or even demand a scaling down of the wages. But that does not mean that the industry protected as a national cost would be allowed to undermine the general standard of living, or the hopes of its improvement. Guarantees of this sort also may be insisted upon as a condition, or a sort of *quid pro quo* for the protection granted. But when such guarantees are obtained, it would be impossible to withhold protection for such an indispensable industry of national development.

As to the exact form in which protection should be granted, a specific customs duty is, in our opinion, the best under present conditions. In the event of artificial dumping on a large scale, such a duty (of say Rs. 40 or 50 per ton) would automatically increase the level of protection according to the needs of the industry; while if prices should rise again, the extent of protection, and, therefore, the burden on the consumer, will be automatically diminished. An *ad valorem* import duty is defective in this respect. It is not self-adjustive. It also creates complications in regard to the basis for charging, which the specific duty avoids altogether. But it is better than any form of bounty, which would be a dead charge upon the general finances of the community, and might accordingly be made uncertain in practice according to the condition of those finances. The financial position of India is even to-day not sound enough to permit such a further charge being undertaken light-heartedly; while an increase in the customs duty would bring about a quiet well-ordered, automatic diffusion of the burden, such as it is, which will never be accomplished by means of a bounty. The exact extent of the duty we would not dogmatise about. We shall only content ourselves by saying it must be substantial enough to secure the Indian industry against unfair or unequal foreign competition.

No. 72.

The National Federation of Iron and Steel Manufacturers of Great Britain.

The National Federation of Iron and Steel Manufacturers very much appreciates the action of the Tariff Board in agreeing to accept evidence from steel makers not resident in India on a subject which vitally affects India. It is recognised at the outset that the problem is one which India has to decide for herself and it is in no spirit of wishing to influence that decision unduly that the attached memorandum is submitted. At the same time the Tariff Board obviously desires to hear both sides of the question and it is with the object of presenting the case as it appears to those who cannot accept the Tata Company's view that the following memorandum has been prepared. The British Steel Makers also wish to make it clear that they are actuated by no spirit of commercial antagonism to the Tata Company in submitting this case. India has in the past been Great Britain's best customer for iron and steel, but British steel makers do not resent the development of India's iron and steel industry on economic lines if this be possible with advantage to India.

In the first place iron and steel together with certain chemicals, minerals and lubricating oils, were recognised by the Indian Fiscal Commission as "basic industries," that is to say, industries on which many others are dependent. The imposition of import duties on articles such as these must inevitably raise the cost of the raw material of a number of Indian industries and thus handicap their free development. In the case of iron and steel it would increase the cost of building railways, roadways, harbour works, machinery, etc. Inevitably the builders and constructors of the works mentioned will demand protection for their industries and this demand must prove almost irresistible, for otherwise goods manufactured from iron and steel would be imported into India and both the steel makers and those who work up the steel would be faced with unemployment.

The effect therefore of taxing imported iron and steel would be a cumulative one and would be reflected first in the cost of goods made from iron and steel and then in the cost of commodity prices generally. For instance, increased prices for railway materials would have to be met by increased passenger fares and increased freight rates, which in turn would

have to be met by increased prices on all goods carried over the railways Increased cost of machinery made from steel would be reflected on all the products of those machines, *e.g.*, textiles, and so on.

The numbers employed in the manufacture of iron and steel in India probably amount to not more than 50,000—60,000 people, and it is difficult to see how a policy of protection can do other than increase the cost of living and decrease the standard of living for the 300,000,000 persons who in the main are agriculturists and not industrialists.

It is suggested that it is to the great advantage of India to obtain cheap steel and that if owing to the diverse nature of India's demands it is impossible to organise mass production on an economical scale within her own borders, the right policy for India to pursue is to import steel and so develop her native industries as rapidly and cheaply as possible by obtaining the materials and machinery necessary at world prices and not to penalise industrial development generally for the benefit of a section of industry. Moreover it is an axiom that imports must be paid for by exports and if India decides to exclude imported goods she *ipso facto* decreases her export trade.

The foregoing remarks are directed to the proposition that it is to India's great advantage to obtain steel as cheaply as possible; in the following remarks it is submitted that the facilities for making iron and steel in India are such that it should be possible to produce iron and steel in competition with the other iron and steel producing countries without the aid of a protective tariff.

In the first place, owing to the fact that the Tata Company's statements as to their cost of production have not been divulged, it is impossible to relate their cost of production to those in this country and on the Continent, but from published information it is clear that India has abundant supplies of ore, coal, and also of cheap labour. The ore, moreover, is richer than any in Europe, having an average iron content of 60 per cent.

After examining the reports of geologists, engineers and others who have reported on the iron ore resources of India the Imperial Mineral Resources Bureau sum up the position in the following words:—

> "...................... India possesses sufficient high-grade iron ores to supply an iron and steel industry of the first magnitude and the rapid developments which are taking place show that this fact is fully appreciated by capitalists. The day would not seem to be far distant when India will be self-supporting as regards iron and steel, and will probably be exporting pig iron, which, in the opinion of those best able to judge, can be produced comparatively cheaply owing to the low assembly costs, consequent on the close proximity of raw materials and the cheap rates of freight."

The Tata Company itself in the advertisement which appeared in the London "Times" of May 11th, 1923, claimed that "the costs of producing iron and steel in India are capable of being brought down to a point comparing favourably with the *pre-war British figures*," and in evidence which the Tata representative has already given he admits that the Company has already work in hand which will occupy the works for 4 years to come, and that therefore the question of protection was not urgent. It is submitted that if the Tata Company can obtain remunerative contracts extending over 4 years, at a time when the iron and steel industry in Great Britain and the Continent is so depressed, it is difficult to see that there is any need for further protection. In fact, in the prospectus in which the Tata Company invited applications for debenture capital in July 1922, it was stated that "the Company has had no difficulty in disposing of the whole of its production in India at profitable prices and the recent imposition of a Customs Duty on imported steel in India of 10 per cent. will ensure a still more favourable market in the future."

It should also be pointed out that in the year ending March 31st, 1923, India imported from all sources 12,779 tons of pig iron and 894,004 tons of other iron and steel, equivalent to about 1,200,000 tons of ingot steel; in the years before the war India imported steel equivalent to approximately 1,500,000 tons of ingot steel.

In the advertisement in the "Times" referred to above, it is claimed that with the plant "which is either in actual operation or in process of installation" there is steel-making plant "having a capacity of 570,000 tons per annum" and that "ultimately" an annual output of 1,000,000 tons of finished and semi-finished products will be reached. Thus for some time to come the Tata Company is able to supply less than half of India's needs, and it seems inequitable that all consumers of iron and steel should be penalised for their benefit.

The representative of the Tata Company agreed to the proposition that no protection should be granted to any industry where it is not shown "that the particular industry will be able ultimately to meet foreign competition without protection," and it is presumed that in the memoranda handed in showing the present cost of production and the estimated cost of production in the future, it was shown that the Company would in time be able to meet foreign competition without the aid of protection; but how is it to be proved that an industry has reached the stage when it can meet unrestricted foreign competition and who is to decide it? It would seem that the exclusion of imported material by the measures proposed is likely to remain, if once instituted, for an indefinite time, if not in perpetuity.

Another sign that the Tata Company is able to develop without the aid of protection is afforded by the fact that recently India has exported pig iron not only to Japan and the Far East but also to certain ports on the Pacific Coast and to Philadelphia, thus demonstrating the ability of India to compete with the American producer.

There is one other matter of which the British Steel Makers must take cognizance. It has been stated that British iron and steel manufacturers have dumped their products into India. A moment's consideration will show that this is quite impossible. The export trade of Great Britain is too great a proportion of the whole production to permit of exports being made under the cost of production. Obviously in a free trade country like Great Britain any attempt to make home consumers bear the loss on export trade could only lead to the other iron and steel producing countries underselling British producers in the home market. "Dumping" is only possible in countries where the home market is protected.

To sum up, it is the opinion of members of the British iron and steel industry that protection is unnecessary for the development of an iron and steel industry in India, but if the Government of India are of opinion that a case has been made out for the encouragement of the industry much less harm would accrue to India as a whole by administering the encouragement by means of a bounty or some form of subsidy to the works concerned.

Enclosure (a).

Memorandum on the position of the wrought iron trade in relation to the Indian tariff.

Wrought iron, known in Scotland as malleable iron, is usually classified with steel, but is structurally, physically and microscopically an entirely different material. Before the discovery of steel it was the main ductile material used for all purposes, including rails, etc., but since the discovery of steel owing to its higher cost it has become useful mainly for special purposes where its special characteristics make it preferable to steel.

These special characteristics fall under three headings:—

(1) *Weldability*, which makes it preferable for all welded work and all smithing work.

(2) *Resistance to Shock* which makes it preferable for chains and a great many similar purposes.

(3) *Resistance to Corrosion* which gives it an enormous preference for work subject to corrosive influence, such as railway frames, bridgework, etc.

In point of quality there is a very wide range in wrought iron. The highest qualities are principally produced in Britain under the British Standard Specifications for "Best Yorkshire," Grade "A," Grade "B" and Grade "C." Apart from the British production, the world production is really negligible, there being only a small production in Sweden, in Spain and in the United States of America where the demand exceeds the production, and export therefore does not exist. Below these higher qualities there is a considerable range of lower qualities made for nut and bolt purposes in Staffordshire, Scoltand and elsewhere, and a still lower range made principally in Belgium from scrap. This last range is really improperly called "iron" at all as it is almost entirely made of steel, and it is a question whether there should not be a restriction on the use of the word "iron" in connection with such material. Beyond these qualities there are certain substitutes for wrought iron produced by steelmakers which do not really reproduce the characteristics of wrought iron and need not therefore be considered.

The Indian Tariff at present is on a basis of 10 per cent. *ad valorem*, the value being assumed on certain definite scales according to the category of quality which the iron is represented to be in. At the present time, qualities superior to Grade "A," British Standard Specifications are valued summarily at £20 per ton. Qualities from "Crown" quality up to Grade "A" are valued according to size at £11-10-0*d*. per ton over ½″ diameter or thickness, and £13-0-0*d*. per ton of ½″ diameter or thickness or under. Common iron is valued throughout at £9-0-0*d*. per ton.

It should be pointed out that this arbitrary division is a great handicap to British "Crown" iron, which is the ordinary standard iron for smithing work in Great Britain, and has to compete in India with Belgian iron which would come in under the common iron heading. It will be observed that the tendency of the Tariff is to encourage the lower-class article at the expense of the higher-class article with which it really competes, and in material ½″ diameter or thickness and under the valuation between these two really competitive qualities varies arbitrarily by no less than £4-0-0*d*. per ton, representing an 8*s*. difference per ton in the Tariff. This acts very substantially against British producers as tending to discourage importers from taking British "Crown" material which is the lowest normal British quality, and encouraging importers to try to foist off upon their customers the lower-class Continental material, which is not really adequate for much of the work to which it is put.

It should be pointed out that qualities of British Standards Specification, Grade "B" and higher are used in India almost entirely for Government and railway purposes and are not used in general commerce. By taxing

these qualities at a high level the Government is therefore taxing its own and the public services. On the other hand, wrought iron is not produced in India and there does not therefore arise any question of protecting the local industries.

Under these circumstances, it is submitted that it would be reasonable to recognise that wrought iron—particularly in its higher qualities, is an entirely different material from steel, is not imported into India for commerce but only for railway and similar purposes, is not imported in competition with local products, and should therefore be admitted free. It is submitted further that the Tariff should make the distinction in qualities at the Grade "B" level, taking Grade "B" and all higher qualities (Grade "A" and "Best Yorkshire") on the free list, and putting all lower qualities, namely Grade "C," "Crown" Iron and Common Iron, on one level with a 10 per cent. or other *ad valorem* duty, based, if necessary, on an arbitrary value which may be suggested as £10-0-0*d.* per ton.

In view of the vastly increased life of good puddled wrought iron as compared to steel which may be taken under conditions of service where liability to corrosion exists as giving wrought iron three times the life of steel, it is certainly to the interest of the Indian authorities to encourage the use of good wrought iron instead of a debased quality, under conditions such as exist for Railway rolling stock for goods traffic, etc.

Enclosure (*b*).

Supplementary Memorandum on Tinplates (including Black-plates and Terne-plates).

The imposition at the present time of a substantial protective tariff on tinplates would hamper and restrict trade, the development of canning, and of improved methods of distributing products. Even a small artificial addition to the cost of tinplates is a serious handicap to the producers and distributors of fish, fruit, meat and other perishable products.

The agricultural interests in every country in the world are erecting canneries for the purpose of preserving perishable commodities that they can produce from their soil, so that they can be distributed with advantage and profit in distant markets. This movement in India is in its infancy. It is a movement that can be developed on an enormous scale. Its development will depend upon cheap tinplates of the best quality. Any trade restrictions on tinplates must retard the modern movement that has made agricultural developments possible in many countries. Even where tariffs have been imposed on other steel materials Governments have refused to place a tariff on tinplates in the interests of those engaged in marketing milk, fish, fruits and foods.

It has been the experience of other countries that production of tinplates of reliable qualities for canning can only be achieved after a long period. Tinplates demand workmen skilled in the art for many years. It will undoubtedly be possible for local mills in India to produce tinplates suitable for various kinds of utensils, but not of the quality indispensable for canning. It is suggested therefore that a protective tariff against tinplates should not be imposed until the local industries are in a position to provide the quality of tinplate necessary for canning purposes. It is suggested further that to impose the disadvantages of a tariff on high-grade tinplates for the sake of protecting the lower grade tinplates in the experimental years would not be in the interests of India.

The tinplates supplied from Great Britain are lower in price than those produced in the United States of America. As a general rule it is not possible at the present time for the United States to compete with Welsh tinplates, owing to their higher costs of production. Welsh manufacturers are at the present time extending and improving their plants, so that India will be able to receive what she requires. Many years must pass before local production in India can satisfy even a substantial portion of India's needs. In other parts of the British Empire immense quantities of canned goods are produced, which find their consuming market in Great Britain. If India follows the example of those countries and develops the canning of her products, she may also have to look to Great Britain for her purchasing markets. Obviously protective tariffs on the tinplates will seriously affect the prospects of success in those countries.

No. 73.

Letter from His Majesty's Senior Trade Commissioner in India to the Tariff Board, dated the 1st December 1923.

I am directed by the Department of Overseas Trade to forward you a memorandum compiled by the Sheffield Chamber of Commerce, and endorsed by the Association of British Chambers of Commerce. This memorandum embodies the views of those trades in which Sheffield is mainly interested, such as the manufacture of high grade tool steel of all descriptions, alloy steels, heavy forgings and special steels for all purposes, and the arguments therefore differ to some extent from those put forward by the National Federation of Iron and Steel Manufacturers who in their memorandum voiced the opinions of the manufacturers of steel for constructional purposes.

I am afraid that this memorandum is arriving rather late, but in view of its importance I hope that you will be able to admit it as evidence.

Statement by the Sheffield Chamber of Commerce on the proposed increase in the import duty on manufactured steel.

Information has been received by the Sheffield Chamber of Commerce that the Indian Fiscal Commissioners have appointed a Tariff Board in India to advise the Government of India on the question of a protective tariff, and that part of the programme is the building up of the iron and steel industry in India by a highly protective tariff upon iron and steel manufactures of 33⅓ per cent. *ad valorem.*

Without presuming to advise either the Indian Fiscal Commissioners or the Indian Tariff Board as to the course they should adopt, we do respectfully venture to suggest that there are many aspects of the proposal to which we desire to direct their attention. In the first place we would mention that in the main iron and steel are not so much a finished product as the raw material of a large number of industries, such as Railways, Collieries, Building and Textile Trades, all constructional work, and of the enormous number of iron and steel users and consumers throughout the Indian Empire, and that the protection which is being proposed is, on the whole, a protection of the few against the many.

The increased tariff if imposed will necessarily raise prices and the cost of all steel and steel products. The raising of the cost of iron and steel products by a highly protective tariff will have the effect of raising the cost of running every business or enterprise which uses these materials, and will have the cumulative effect of raising Railway rates and the cost of living generally.

As regards steel for constructional purposes, rails and similar products, the modern plant already existing in India is designed to do the work required, with the least possible human effort.

It has been proved already that these classes of steel can be produced in India at costs which compare favourably with costs in any other steel producing country; this is confirmed by the statement of the Tata Iron and Steel Company, Limited, in their prospectus when raising new capital in Great Britain.

The Sheffield Chamber of Commerce desires particularly to call the attention of the Tariff Board to the importance of realising there are many different qualities of steel produced by different methods and that all of them cannot be regarded from the same standpoint.

The steels in which Sheffield is peculiarly interested comprise high grade Tool Steel of all descriptions, Special Alloy Steels and forgings for Automobile and other purposes, heavy forgings and Special Steels for textile machinery work and Mining purposes.

These steels are not produced by mass production, but call for the exercise of human effort and skill in every process through which they pass. Owing to their special nature they must be worked at high temperatures, and the workers are subjected, for prolonged periods, to close contact with the materials undergoing manufacture, and even in this temperate climate there are days in Summer when they are unable to stand the strain.

It is evident in regard to the Constructional Steel referred to above that a tariff is unnecessary as India is able to compete successfully with any part of the world.

In regard to the steels which are manufactured in Sheffield it is the firm conviction of the Sheffield Chamber of Commerce that there should not be any tariffs thereon, owing to the fact that climatic conditions preclude such steels being manufactured successfully in India.

We would respectfully urge that these aspects of this question, which so seriously affect the future development of India and its people, will have the favourable consideration of the Tariff Board.

No. 74.

Letter from the Secretary, Bengal Chamber of Commerce, Calcutta, to the Secretary, Tariff Board, No. 3192—1923, dated 6th December 1923.

In continuation of my No. 2936, dated 6th November 1923, I am now directed to hand you a copy of a statement by the London Chamber of Commerce with reference to the question of the proposed protection of the Indian steel industry. This statement has been received by mail from the London Chamber.

2. It is understood that Mr. W. Mansfield, whose name is mentioned in the statement, will arrive in Madras on the 28th December.

Statement submitted by the London Chamber of Commerce with regard to the proposal for an increase in the duty from 10 per cent. to 33⅓ per cent. on manufactured Steel imported into India.

The attention of the London Chamber of Commerce having been drawn to the proposal to increase the duty on manufactured steel imported into India from ten per cent. to thirty-three and one-third per cent. and to the fact that a Tariff Board in India had been appointed to advise the Government of India on the question of this proposal, a meeting of the Iron, Steel, Tinplate and Metal Merchants Section of the Chamber together with Indian Merchants interested in these trades was convened and held at the offices of the Chamber on Wednesday, 31st October, 1923.

At this meeting a resolution, as following, was adopted unanimously:—

> "This meeting resolves that evidence on behalf of Iron, Steel, Tinplate and Metal Merchants Section and Indian merchants and indentors interested in exporting steel to India shall be tendered at the enquiry by the Indian Tariff Board on the proposal to increase the duty on steel imported into India from ten to thirty-three and one-third per cent. and is of opinion that no increase in the duty is necessary and, if imposed, would raise the cost of manufactured iron and steel goods to the Indian consumer."

On the afternoon of the same day the following cablegram was sent to the Bengal Chamber of Commerce:—

> Please communicate Indian Tariff Board following resolution adopted Iron and Steel Merchants Section, London Chamber, begins this meeting resolves that evidence of Section be tendered at enquiry by Indian Tariff Board on proposal to increase duty on steel imported into India from ten to thirty-three and one-third per cent. and is of opinion that no increase in the duty is necessary and would raise cost of manufactured iron and steel goods to Indian consumer ends detailed statement following.—*Convention London.*

A Special Committee was appointed to prepare a statement of the points which it is desired to submit for the consideration of the Tariff Board. They are as follows:—

A heavy duty, such as that contemplated, would have a cumulative effect by raising the cost of raw materials for a number of Indian undertakings, such as roadways, railways, machinery, etc.

Not only would the cost of articles made from iron and steel be increased. But this would be followed by an increase in the cost of commodities generally.

If the cost of railway construction is raised the cost of the carriage of goods would necessarily follow suit and would, in turn, be reflected in the price of the goods carried on the railways.

While the London Chamber of Commerce do not presume to offer any comments on the fiscal policy of the Government of India they would like to point out that the apparent apprehension that British Iron and Steel can be "dumped" into India is not well founded.

In the opinion of the Special Committee of the London Chamber of Commerce the natural advantages in India for producing certain classes of iron and steel in competition with other countries are such that there is little advantage likely to accrue to Indian industries by exceeding the present rate of import duty, whilst it is doubtful whether other classes can be produced in India owing to climatic conditions prevailing there. The opinion has indeed been expressed that so far as the industries are concerned they are in a position to meet any competition without the aid of any protective duty at all but, it is understood the present duty of 10 per cent. is a revenue duty.

It is noted that no information is available regarding costs of production of the Tata Company so that the Committee are not in a position to draw comparisons between them and the costs of production in Great Britain and other iron and steel producing countries.

It is submitted for the consideration of the Tariff Board that, if their findings are to the effect that it is necessary to impose a further protective duty, such duty should only apply to goods manufactured outside the Empire.

The foregoing observation are proffered by the Special Committee appointed to carry out the resolution adopted by the Section above referred to.

The foregoing statement is submitted for the consideration of the Indian Tariff Board and a member of the Special Committee—Mr. Mansfield of Messrs. John Batt & Co., Ltd.—who is proceeding to India this week has been asked to confer with the Bengal Chamber of Commerce as to the appropriate method of calling the attention of the Board to the opinions held by this Chamber and he will be prepared if agreeable to the Board to give verbal evidence in support.

No. 75.

The Indian Iron and Steel Company.

Written Statement.

Statement I.—From the Managing Agents, The Indian Iron and Steel Company, Limited, Calcutta, to the Secretary, Tariff Board, Calcutta, No. I. Q.-1324, dated 4th October 1923.

REPLY TO SPECIAL QUESTIONNAIRE.

With reference to your inquiry No. 328 of the 27th ultimo, when this Company was formed the manufacture of steel was one of its ultimate objects and its Memorandum of Association accordingly gives steel making as one of the purposes for which the Company was established.

The manufacture of steel was not an immediate matter and it is incorrect to say that it has been dropped for the present. The prospectus filed with the Registrar of Companies, Bengal, states "it is the intention of the Company to lay out its plant at first solely for the production of pig iron and ferro manganese." Steel making is not mentioned in the prospectus, nor was any capital raised for the purpose, but it was expected when the Indian Standard Wagon Company Limited built its shops adjacent to ours, that ultimately our Works would be able to supply all the steel sections and plates required for wagon building.

It is also part of the plans of the Indians Standard Wagon Company to make the steel castings they require for their work in their own foundry; they would also manufacture these for other wagon building concerns and the railways. This steel will be made by the electric process with power obtained from the Indian Iron and Steel Company. This power is now available at the Wagon Works and the foundry buildings are ready, only the electric furnaces remain to be installed to get this scheme working.

That the conclusion of our endeavours will be steel making is probable, but it is not possible to say when we shall reach this point; at present capital could not be raised, as no Capitalist or Financier would hazard his money in building a plant faced with the current severe competition from the United Kingdom and other countries.

We ourselves think that if a protective duty of 33⅓ per cent was arranged it would act as a strong inducement to the development of steel making plant in India. We and others who at present could not consider any such proposition would undoubtedly be favourably influenced by the prospect of the help so afforded, the more so if Government would call for all their requirements by tenders in India and give preference to the users of Indian steel. In such circumstances money would undoubtedly be forthcoming for developments, and in the competition which would ensue the tendency would be to bring the prices of Indian made steel down to the average World level.

In conjunction with the Indian Standard Wagon Company, we also intend in the future to put down a works and plant to undertake the manufacture of wheels and axles, provided sufficient encouragement is forthcoming from the Government of India to ensure that the wagon building industry is to be kept alive. As was mentioned in their evidence before you on behalf of the Indian Standard Wagon Company, this scheme was complete and ready to start two years ago but has been held in abeyance owing to the general slump in trade and uncertainty of the intentions of the Government of India regarding the wagon building industry.

Oral evidence of Mr. G. H. FAIRHURST, representing the Indian Iron and Steel Company, recorded at Calcutta on Tuesday, the 30th October 1923.

President.—We are much indebted to you for agreeing to meet the Board and give evidence about the possibility, that if protection is given, other firms might undertake the manufacture of steel. It of course is a very important question because, unless new firms begin to make steel, there is a danger of a monopoly price and the object which it is intended to secure would not be achieved. You have told us in your written statement that we had not correctly understood the position of your Company. It was not so much that there was a plan to manufacture steel, a plan which was subsequently abandoned, but rather that your original plans were to manufacture pig iron and the manufacture of steel was only a possibility in the future. Can you tell us when the Indian Iron and Steel Company was started?

Mr. Fairhurst.—In March 1918.

President.—When did it actually begin to produce pig iron?

Mr. Fairhurst.—In November 1922.

President.—You have quoted in your letter the prospectus which was issued at the time of the formation of the Company. Would it be possible to supply the Board with a copy?

**Mr. Fairhurst.*—Yes.

President.—Can you tell us the capitalization of the Company: What is the authorised capital?

Mr. Fairhurst.—Rs. 300 lakhs.

President.—And the subscribed and paid up capital?

Mr. Fairhurst.—Fully subscribed, and paid up: all in ordinary shares.

President.—If you were now to take up the manufacture of steel, it would be necessary to raise fresh capital and to get the Articles of Association altered—it would be a fresh departure, that is to say?

Mr. Fairhurst.—We raised the whole of the capital in ordinary shares. The idea was, if we intended to have the steel works and extensions in other directions, we would issue preference shares and raise debentures if necessary to get the extra capital.

President.—Have you power under the Articles of Association to issue preference shares or raise debentures?

Mr. Fairhurst.—Yes.

President.—What is the total amount covered by this: is there any limit?

Mr. Fairhurst.—There is no limit; of course I am only speaking from memory.

President.—At the time that you planned the Company, was any scheme for the construction of steel works worked out?

Mr. Fairhurst.—No detailed scheme was worked out but we went so far, for instance, as to put in spare panels which exist now in our power house for the supply of power for the steel works. In other directions also we made provision for steel works.

President.—But you did not go to the length of actually working out a scheme as to the actual cost and what your outturn was likely to be and so on?

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*Not printed.

Mr. Fairhurst.—No.

President.—Of course that information would have been useful to the Board, if you had been able to give it, for comparison with the actual costs of the Tata Iron and Steel Co.

Mr. Fairhurst.—We did not go so far as that. Our works were started at a very difficult period in 1918, just about the end of the war when the prices were considered excessive to enable us to make a reliable estimate.

President.—Did you go to the length of making any enquiries in England or America with the object of framing a definite scheme?

Mr. Fairhurst.—We did not go so far as to ask for the prices for a steel works plant nor did we raise any capital for it. It would have been premature.

President.—Still the subject might have been studied. It would be very useful to the Board to ascertain what capitalization would probably be necessary in a country like Great Britain or America in order to secure a certain outturn of steel.

Mr. Fairhurst.—We did not go that far. We provided ourselves with power plant for the extensions and the steel works and left ourselves open to raise any fresh capital when we decided to go in for them. Since then nothing further has been done towards the manufacture of steel except that we floated the Indian Standard Wagon Company, whose works are at Burnpur, with the view of ultimately producing the steel at the Iron and Steel Co.'s works for the building of standard wagons.

President.—I understand that. All your various projects at Burnpur, I gather, from integral parts of a single plan, but I wished chiefly to find out whether you had worked out the details of a steel manufacturing plant.

Mr. Fairhurst.—We did not go into details.

President.—On the assumption that a market for steel in India at a reasonable price was assured, would you regard the present time as opportune for the construction of steel works?

Mr. Fairhurst.—We would not consider it for a moment unless we were protected.

President.—On the assumption that protection was given to an extent sufficient to secure what, to the best of your judgment, would be a profitable price, would the present time be a good time to construct steel works from the point of view of the price you would have to pay for machinery and so on?

Mr. Fairhurst.—Personally, I think it would be a good time. Prices have gone down considerably.

President.—Are the prices of the machinery and plant required for the manufacture of steel, likely to go lower than they are now?

Mr. Fairhurst.—I think the present time is favourable in view of the unemployment in countries which manufacture steel machinery and the anxiety of the manufacturers to provide work for their workmen. I think we may buy steel plant now in all probability cheaper than we could in three or four years time.

President.—I suggested that because reports are numerous that plants have been shut down or are working at half capacity and so on, and therefore it is natural to suppose that the manufacturers are short of orders and prices low.

Mr. Fairhurst.—I have no special information on the subject.

President.—Can you tell us the capacity for the production of pig iron of your present plant?

Mr. Fairhurst.—The present plant consists of two blast furnaces designed to turn out 350 tons a day each. But one is now turning out 450 tons a day and we expect to keep that up so that eventually we will have a production of 850 to 900 tons a day.

President.—It was on the basis of these two furnaces that your plan of eventually making steel was based. That is to say, if you subsequently decided to start the manufacture of steel you would not require another blast furnace for instance?

Mr. Fairhurst.—Our idea was generally that, if it was better to invest capital in the steel works, we would do so, and if it was found better to invest it in blast furnaces we would do that.

President.—Naturally of course you would turn your capital to what was considered likely to be the most profitable investment.

Mr. Fairhurst.—That is so.

President.—I gather from your letter that on the basis of the present day price with only a ten per cent. duty, your Company would not consider at all the question of starting to manufacture steel?

Mr. Fairhurst.—Not for a moment.

President.—That is, you are satisfied, taking the present day British price of steel rails at £9 to £9-10, a ton, that it is no use thinking of it?

Mr. Fairhurst.—No.

President.—Supposing the price of steel rails in England were to increase to £11 a ton and was likely to stay there, would that suffice? Could you give us any sort of idea of the price at which in your opinion the manufacture of steel in India was likely to be profitable?

Mr. Fairhurst.—I would not like to put it into figures. As you will understand we base our views mainly on the experiences of the existing steel manufacturing company.

President.—The trouble is that the Board will have to put a figure on it eventually. In all our proposals we must keep in view what increase in the price would induce people to put capital into the manufacture of steel.

Mr. Fairhurst.—I have not had the experience myself of making steel out here and I would not like to give any figures.

President.—You have told us in your letter "If a protective duty of 33⅓ per cent. was arranged it would act as a strong inducement to the development of steel making plant in India." May I take that as meaning that your Company would thereupon begin to reconsider the question?

Mr. Fairhurst.—Yes.

President.—You have told us that "In conjunction with the Indian Standard Wagon Company we also intend in future to put down a works and plant to undertake the manufacture of wheels and axles, provided sufficient encouragement is forthcoming from the Government of India to ensure that the wagon building industry is to be kept alive." Would it be your intention, supposing you did carry out this plan, to use Indian steel or imported steel for the wheels and axles?

Mr. Fairhurst.—Indian steel when possible.

President.—Can it be made from Tatas' steel?

Mr. Fairhurst.—At the outset we may assume that we will buy from Tatas', but I do not know whether Tatas' make axle steel or not. Their programme as far as I can remember does not include the production of axle steel.

President.—I can't say. They have made a pretty elaborate programme as to what they intend to do when the Greater Extensions come into operation. For the production of axle steel would a special plant be required?

Mr. Fairhurst.—Yes, it is a special grade of steel.

President.—To the best of your knowledge does the Tata Company possess that plant?

Mr. Fairhurst.—I believe they would not consider making wheels and axle steel at present but, if there is a demand for axle steel in the country I have no doubt they would do it.

President.—No doubt somebody would attempt to do it. If the Indian Iron and Steel Co. were to start the manufacture of steel, is it probable that that would include the production of axle steel?

Mr. Fairhurst.—Not to start with or for several years. Supposing the manufacture of wheels and axles started in India, for some years it would be imported steel that would be used. As far as our own Company is concerned until Tatas were in a position to supply us we should have to import from Europe.

President.—Tatas or some one else.

Mr. Fairhurst.—Tatas are the only people who manufacture steel now, and will be the only people to manufacture steel for the next five years. It will take at least five years for any new company to begin the manufacture of steel.

President.—They might very easily find it impossible to undertake more than what they had already undertaken and also as your steel works when they come into existence are likely to be closely linked with the works of the Indian Standard Wagon Company, after say 8 or 9 years, it seemed likely that the steel for wheels and axles would be made in the Indian Iron and Steel Company's steel works. If so, the Tata Iron and Steel Co. might not think it worth while starting this form of manufacture. However it is not a point of very great importance. All I wanted to know was what your plans were in connection with that. Naturally you would use Indian steel, if you could get it?

Mr. Fairhurst.—Yes.

President.—You are of opinion that steel of suitable quality could be made of Indian pig iron?

Mr. Fairhurst.—From certain Indian pig it could.

President.—Do you think that there is no doubt about that?

Mr. Fairhurst.—Yes.

President.—We have received rather contradictory information—this is going to another topic altogether—about the present day prices of pig iron in India. In the weekly publication of the Bengal Chamber of Commerce, the price of pig iron is given as Rs. 88 to 90 per ton, whereas the information we received from the Tata Iron and Steel Company points to a very much lower price—something like Rs. 65 or Rs. 60 a ton. I was wondering whether you would be able to tell us how the price would vary according as the small quantity or large quantity was purchased or the pig iron was sold under contract for a period of years.

Mr. Fairhurst.—The present market prices for pig iron vary from about Rs. 70 to Rs. 90 a ton in accordance with the grade of the iron. That is for small lots. If you are considering contracts for two or three years for say several hundred tons a month, one would probably sell for three or four rupees less per ton. As you know, a lot of pig iron is exported and this is exported at lower rates than it is sold locally.

President.—It goes to Japan and the west coast of America?

Mr. Fairhurst.—Yes, also to the east coast of America.

President.—I have heard that your company exported pig iron to Philadelphia.

Mr. Fairhurst.—Yes, and we are still doing it.

President.—I take it that there is not very much margin in the price?

Mr. Fairhurst.—No, except when the freight is very low.

President.—What route does it go by?

Mr. Fairhurst.—It goes direct through the Suez Canal by the American Indian line.

President.—Are there special reasons for the freight being low?

Mr. Fairhurst.—Freights have always been low for such material. They are very fond of dead weight because of the necessity for its use on ships as ballast.

President.—That is to say, the pig iron is used as a form of ballast?

Mr. Fairhurst.—Yes.

President.—You have told us that the price of pig iron in small quantities would vary from Rs. 70 to Rs. 90 a ton according to the quality. Well, what would be the quality which would be most commonly produced?

Mr. Fairhurst.—One can run one's blast furnaces according to the quality you have in demand.

President.—Which quality is most in demand now?

Mr. Fairhurst.—In India, there is a great demand for Nos. 2 and 3 pig iron.

President.—What would be their prices to-day?

Mr. Fairhurst.—Rs. 80 and Rs. 75.

President.—There is one other question connected with pig iron. The Krityanand steel people who make steel castings from imported pig iron suggest that the duty on the imported pig iron should be removed. Are you in a position to tell us what the views of the Indian Iron and Steel Company would be about that?

Mr. Fairhurst.—At the present time, there is so little pig iron being imported. I don't see what difference it would make.

President.—We asked the Tata Iron and Steel Co. about that, and they told us that it was a matter of indifference to them whether the duty is removed or not.

Mr. Fairhurst.—The present price for Cleveland No. 3 pig iron is 100*s*. a ton and it cannot be imported into India for anything less than Rs. 100 to Rs. 105 a ton.

President.—That is without duty?

Mr. Fairhurst.—That is with duty.

President.—If the duty were removed, it would come down to Rs. 95?

Mr. Fairhurst.—Yes.

President.—Even so, the Indian pig iron has still a very distinct advantage. The matter at this stage is merely a suggestion made by the Krityanand Steel Company.

Mr. Fairhurst.—I don't think that it would make any difference at all.

Mr. Ginwala.—We should be very glad, if it is possible for us, to get some figures by which we could compare your methods with the only other works engaged in manufacturing pig just now. But I take it that you would not like to give us those figures?

Mr. Fairhurst.—I don't think that it would be in the company's interests to publish our costs of production.

Mr. Ginwala.—Perhaps you have not worked long enough to justify the basing of any conclusions on those figures.

Mr. Fairhurst.—No. Up to the present we have not had a regular supply of iron ore from our own mines. We have been working with purchased iron ore, and we have not had the actual experience of normal conditions with our plant.

Mr. Ginwala.—But you will not have any objection to answering some general questions about the conditions of labour and things like that?

Mr. Fairhurst.—No.

Mr. Ginwala.—With regard to your capital, does this Rs. 8 crores represent the whole of your capital including the working capital, or is it merely the fixed capital?

Mr. Fairhurst.—That is the authorised and paid up capital.

Mr. Ginwala.—Do you have to borrow any money for the working capital in addition to the subscribed capital?

Mr. Fairhurst.—We have done so. We have had to borrow some money to provide the working capital.

President.—If you could let us have a copy of your last annual report with the Balance-sheet, it would be useful to us.

**Mr. Fairhurst.*—Yes, I will send it to you.

Mr. Ginwala.—On an average, you are not working to your full capacity; but supposing the other blast furnace comes into operation, how much would you allow as working capital on your fixed capital?

Mr. Fairhurst.—I don't think that the addition would be very much because the major portion of our pig iron is exported abroad and we get cash against shipping documents in Calcutta. So we get paid almost within a few days of the time we produce it.

Mr. Ginwala.—But for your stocks and stores?

Mr. Fairhurst.—I don't think we will have to carry any larger stocks. At the present time, we have practically no iron ore, but we have a large stock of lime and coal.

Mr. Ginwala.—Would Rs. 50 to Rs. 75 lakhs be too much?

Mr. Fairhurst.—I think that Rs. 40 lakhs is ample.

Mr. Ginwala.—With regard to iron ore, you say that you are at present buying?

Mr. Fairhurst.—We have been up to the present. We are just starting to use our own iron ore.

Mr. Ginwala.—Have you obtained any concessions?

Mr. Fairhurst.—We have had concessions ever since the commencement, but there had been delay in getting the railway connection into the mines. We did begin early in the year, but the line was washed out during the rains.

Mr. Ginwala.—Are they very far from your works? What is the area?

Mr. Fairhurst.—10 square miles.

Mr. Ginwala.—Where are they?

Mr. Fairhurst.—172 miles from the works.

Mr. Ginwala.—In what field?

Mr. Fairhurst.—Singhbhum, a new field altogether.

Mr. Ginwala.—You are equipping yourself to get your own iron ore?

Mr. Fairhurst.—We are equipped now.

Mr. Ginwala.—You will get all your requirements, I take it, from your own mines now?

Mr. Fairhurst.—Yes.

Mr. Ginwala.—I suppose you have not yet worked out the cost. Could you tell me what it would cost you to bring the ore to the works?

Mr. Fairhurst.—Yes, I could tell you what it will cost.

Mr. Ginwala.—You can give me the total cost. I don't want your other figures.

Mr. Fairhurst.—It is about Rs. 3 a ton.

Mr. Ginwala.—With regard to coal, what is your position? Do you have a contract like Tatas, or do you work your own mines, or do you have both?

Mr. Fairhurst.—When the company was floated, we purchased virgin coal properties.

Mr. Ginwala.—You mean simply the field.

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* Not printed.

Mr. Fairhurst.—Yes, and we proved that by boring. We have not spen any more money on them. We are waiting for the favourable moment whei we would have the money to develop them. To cover the period of develop ing these properties, we have made long contracts for 10, 15 or 20 years with certain colliery companies based on the price of similar coal delivered tc the Railway Board. In other ways, we are exactly in the same position as the Tata Iron and Steel Company.

Mr. Ginwala.—It is so much above or below the Railway Board price?

Mr. Fairhurst.—Yes.

Mr. Ginwala.—I take it that on an average it is eight annas?

Mr. Fairhurst.—Some of our contracts are six annas under, some the same as Railway Board price, and some eight annas over.

Mr. Ginwala.—These contracts are equal to all your requirements?

Mr. Fairhurst.—They are quite equal to our requirements at the present time.

Mr. Ginwala.—What is the capacity of the coal mines that you have purchased?

Mr. Fairhurst.—I think that the utmost capacity will be about 1,000 tons a day.

Mr. Ginwala.—But that would hardly meet your requirements, would it?

Mr. Fairhurst.—Not quite. We will be using for the two blast furnaces about 1,400 tons of coal a day.

Mr. Ginwala.—That would cover about 60 per cent. of your requirements?

Mr. Fairhurst.—Yes.

Mr. Ginwala.—How long do you think it would take to work up to the full capacity of the collieries?

Mr. Fairhurst.—It will take 7 or 8 years.

Mr. Ginwala.—That is by a gradual increase of 15 per cent. or so a year?

Mr. Fairhurst.—Yes.

Mr. Ginwala.—Have you worked out any scheme for the equipment cf your collieries?

Mr. Fairhurst.—A scheme has been drawn up.

Mr. Ginwala.—How much would it cost you?

Mr. Fairhurst.—It will cost us about Rs. 20 lakhs to equip the collieries to produce that quantity.

Mr. Ginwala.—The cost is spread over 7 or 8 years?

Mr. Fairhurst.—Yes, this is in addition to the purchase price.

Mr. Ginwala.—Do you think that you have done wisely by entering into contracts as well as purchasing coal mines?

Mr. Fairhurst.—Yes. At the time we made contracts, we had no alternative really.

Mr. Ginwala.—That is to say, you attach so much importance to coal that you would not proceed with the manufacture of pig iron until you were absolutely assured of your coal supply. That is the position?

Mr. Fairhurst.—Quite so.

Mr. Ginwala.—How much under the contracts on an average do you have to pay for coal?

Mr. Fairhurst.—Between Rs. 9-8 and Rs. 10 a ton.

Mr. Ginwala.—That applies to your coking coal?

Mr. Fairhurst.—Yes.

Mr. Ginwala.—You don't use any other kind of coal, I take it?

Mr. Fairhurst.—None whatever.

Mr. Ginwala.—Is this price of Rs. 10 a ton a permanent price or what?

Mr. Fairhurst.—The price next year goes up by 12 annas a ton. It was fixed by the Railway Board for three years and that arrangement terminates in March 1925.

Mr. Ginwala.—Supposing you had not a contract, what would be the price now?

Mr. Fairhurst.—Three months ago, it would have been higher. At the present time, we could purchase at about the same price.

Mr. Ginwala.—What I wish to know is this. Do you regard this as a more or less permanent price below which it would not go?

Mr. Fairhurst.—We consider the price high. It is higher now than when we made the contract.

Mr. Ginwala.—What was the price then?

Mr. Fairhurst.—Rs. 6 a ton.

Mr. Mather.—What year was that?

Mr. Fairhurst.—1918-19.

Mr. Ginwala.—If there was a contract, how did the price jump from six to ten rupees?

Mr. Fairhurst.—Our contracts are based on the Railway Board price and the Railway Board increased the price of the coal each year since then, and finally made a three years arrangement which terminates in 1925.

Mr. Ginwala.—Then, it all depends upon what the Railway Board does?

Mr. Fairhurst.—Yes.

Mr. Ginwala.—Have you been consulted by the Railway Board?

Mr. Fairhurst.—No. We considered that as the most reliable method of fixing the prices for our contracts for a long period.

Mr. Ginwala.—Do you find any difficulty in coking your coal? I mean, how does it compare industrially with the British coal?

Mr. Fairhurst.—Indian coke is not so good as British coke. The ash content is very much more.

Mr. Ginwala.—Could you express it in percentages?

Mr. Fairhurst.—English coke contains 8 or 9 per cent. ash, whereas our coke contains about 19 to 20 per cent. ash, which means a larger coke consumption in our blast furnaces.

Mr. Ginwala.—With regard to your blast furnaces, are they the same as Tatas' or are they different?

Mr. Fairhurst.—The two large furnaces are of American design.

Mr. Ginwala.—What is the name of the furnace?

Mr. Fairhurst.—The furnace design itself was made by A. G. McKee & Co., furnace designers of Cleveland, United States of America.

Mr. Ginwala.—What about the coke ovens?

Mr. Fairhurst.—They were designed by Messrs. Simon Carves Ld., Manchester.

Mr. Ginwala.—Are you satisfied with the amount of coke which your blast furnaces use per ton of iron?

Mr. Fairhurst.—Our practice at present is better than anything I have heard of in India before, and it is better than we estimated for.

Mr. Ginwala.—How much better?

Mr. Fairhurst.—About 4 or 5 cwts. a ton better.

Mr. Ginwala.—What do you attribute that to?

Mr. Fairhurst.—The design of the furnace plant.

Mr. Ginwala.—Do you expect to get any further economy?

Mr. Fairhurst.—No, as far as the coke consumption is concerned, we are doing now as well as we can expect to do. Of course it fluctuates.

Mr. Ginwala.—There is a certain amount of deterioration as you go on?

Mr. Fairhurst.—In the furnace you mean?

Mr. Ginwala.—Yes.

Mr. Fairhurst.—An old furnace does not do as well as a new one, but there is not a very serious difference.

Mr. Ginwala.—Are you able to dispose of your by-products? What are your principal by-products?

Mr. Fairhurst.—Sulphate of ammonia and coal tar are our principal by-products. The whole of our coal tar is sold two years ahead and we expect no difficulty whatever in disposing of the sulphate of ammonia. It goes principally to Java.

Mr. Ginwala.—What is the price of sulphate of ammonia?

Mr. Fairhurst.—It is Rs. 220 to Rs. 240 a ton.

Mr. Ginwala.—The whole of it goes to Java?

Mr. Fairhurst.—Practically all.

Mr. Ginwala.—In the matter of coal tar, you are rather more fortunate than Tatas who tell us they cannot find a market. You have sold the whole of your output of coal tar?

Mr. Fairhurst.—Yes.

Mr. Ginwala.—You use all your gas, I suppose?

Mr. Fairhurst.—All the steam we require is generated from waste gases We have also a lot of excess waste gas which we cannot use.

Mr. Ginwala.—What do you do with it?

Mr. Fairhurst.—We just blow it away.

Mr. Ginwala.—Could you give us the value of it in rupees?

Mr. Fairhurst.—I am afraid I could not put it in figures. There is no doubt there is sufficient to run a large steel works with the excess gas blown away.

Mr. Ginwala.—With regard to Indian labour, how are you situated? Do you have any difficulty?

Mr. Fairhurst.—We had some difficulty during the construction period, but we have now no difficulty in getting the labour we require.

Mr. Ginwala.—Is the output per man employed satisfactory?

Mr. Fairhurst.—Quite satisfactory.

Mr. Ginwala.—Do you get your figures on this basis?

Mr. Fairhurst.—Yes.

Mr. Ginwala.—Could you give us some idea? We don't want to know the exact figures.

Mr. Fairhurst.—Do you mean our blast furnace plant?

Mr. Ginwala.—Yes.

Mr. Fairhurst.—On the blast furnace itself, we employ about 12 or 14 men each shift, but to handle all our materials and products and keep up the plant and sidings and so on, we have to employ about 400 men daily.

Mr. Ginwala.—I suppose you pay the same rate of wages as Tatas?

Mr. Fairhurst.—Very similar.

Mr. Ginwala.—What about the European supervision.

Mr. Fairhurst.—We have 5 Europeans on our blast furnace plant and they are to run the two furnaces.

Mr. Ginwala.—But you will have to increase the number of uncovenanted hands?

Mr. Fairhurst.—Yes, the Indian foremen and labour.

Mr. Ginwala.—In your coke ovens, have you also European supervision?

Mr. Fairhurst.—Yes. We have a manager and an assistant and 5 or 6 Anglo-Indian foremen.

Mr. Ginwala.—You employ Indian labour wherever you can get, don't you?

Mr. Fairhurst.—Yes.

Mr. Ginwala.—A good deal has been said about the housing, sanitary and other arrangements made at Jamshedpur. What is your practice? Are you providing accommodation for your labour?

Mr. Fairhurst.—We have to do exactly the same thing on a smaller scale. One has to provide water works, quarters, roads and hospitals in order to keep the labour there.

Mr. Ginwala.—What is the total number of men employed in your iron works?

Mr. Fairhurst.—At the present time about 2,000.

Mr. Ginwala.—Anyhow you are providing housing accommodation for them?

Mr. Fairhurst.—We have done so now.

Mr. Ginwala.—And also for your covenanted hands?

Mr. Fairhurst.—We have done so already.

Mr. Ginwala.—How do you look upon the manufacture of steel in this country? Do you think that it is an industry that ought to be developed at all reasonable costs or do you think that it ought to be allowed to take care of itself?

Mr. Fairhurst.—I see no reason whatever why the steel industry in India should not be a success in the future, if it gets over its early troubles.

Mr. Ginwala.—What is its principal trouble just now?

Mr. Fairhurst.—The principal trouble just now in my opinion is the training of Indian labour to work the different sections of a steel plant.

Mr. Ginwala.—You consider that as the real difficulty at present?

Mr. Fairhurst.—Yes. We have found it so even in our Iron Works and coke ovens. We have had great difficulty in training Indian labour. It is only just now, after a year, we are able to get results.

Mr. Ginwala.—It is a difficulty which you think might be got over?

Mr. Fairhurst.—Certainly we do.

Mr. Ginwala.—There is this increase in the price of coal. That is another difficulty?

Mr. Fairhurst.—Yes.

Mr. Ginwala.—You also regard that as a temporary difficulty?

Mr. Fairhurst.—Yes.

Mr. Ginwala.—Are there any other inherent difficulties in the manufacture of steel?

Mr. Fairhurst.—I don't see any.

Mr. Ginwala.—Now as a business man, what do you think would be a reasonable return on the subscribed capital that should be offered to the subscribers in order to induce them to give you the capital for your steel enterprise?

Mr. Fairhurst.—It would be no use to offer anything less than 10 to 12 per cent. to induce a financier to put his money into the steel industry. Moreover you have to allow for the period for which there is no return, that is, the construction period.

Mr. Ginwala.—That is to say, you would allow 10 to 12 per cent. on an average, taking high and low together?

Mr Fairhurst.—Yes.

Mr. Ginwala.—Under that, you don't think that capital would be attracted to this industry?

Mr. Fairhurst.—No.

Mr. Ginwala.—You say you would not commit yourself to any figures about the protection of steel. Supposing it was generally declared by Govern-

ment that so long as steel cannot be produced in this country at a cost which can reasonably compete against foreign manufacturers, it shall have protection. Supposing that was laid down as the policy, do you think that that would be sufficient to attract capital or not, without committing yourself to any figures?

Mr. Fairhurst.—Yes, I do, if a firm is in a position to obtain all the raw materials it requires.

Mr. Ginwala.—Supposing the Government of India lay down as their principle that so long as India is not in a position to produce steel at a price which can compete with the foreign manufacturers, it shall have protection in order to make up the difference. Supposing they put it that way, do you think that that would be sufficient to attract capital?

Mr. Fairhurst.—I think so. It has been the experience of every steel making country. They have had to get over their early troubles and the financiers would recognise that.

Mr. Ginwala.—In that case it would not be a question of figures at all. I mean, it will be merely a matter of ascertaining the cost from time to time?

Mr. Fairhurst.—Yes.

Mr. Ginwala.—Do you think that that would be a sufficient security for the investor?

Mr. Fairhurst.—I think so. A great deal would depend on the period.

Mr. Ginwala.—No period is fixed at all. It is simply said that so long as the steel industry is not able to compete it shall have protection.

Mr. Fairhurst.—I think that it would be quite sufficient to induce the financier to put up his money.

Mr. Ginwala.—In that case, would your own company reconsider their position?

Mr. Fairhurst.—Quite so.

Mr. Ginwala.—With regard to wheels and axles have you considered the question of specifications that the railways insist on?

Mr. Fairhurst.—We have drawn up a scheme for manufacturing wheels and axles. I did not deal with it myself and know nothing of the details.

Mr. Ginwala.—The point is this. Have you considered that in order that the wagon building industry may be established in this country on a permanent footing this country must also manufacture wheels and axles?

Mr. Fairhurst.—That is so.

Mr. Ginwala.—At the same time you see no insuperable difficulty in Indian steel being used for that purpose?

Mr. Fairhurst.—No.

Mr. Ginwala.—May I take it as your opinion?

Mr. Fairhurst.—Yes.

Mr. Ginwala.—Have you entered into long term contracts for the sale of pig iron, or do you sell it on quotations from time to time?

Mr. Fairhurst.—We have made some long term contracts.

Mr. Ginwala.—May I take it that the rates there will be considerably lower than the current market rates for export?

Mr. Fairhurst.—Yes.

Mr. Ginwala.—Can you tell me what is the freight from here to America for pig?

Mr. Fairhurst.—The present freight is 18 to 19 shillings a ton from here to Philadelphia.

Mr. Ginwala.—And to the other side?

Mr. Fairhurst.—7½ dollars.

President.—It comes to about Rs. 22½ at the par of exchange.

Mr. Mather.—It is very much higher to the Pacific Coast than to the Atlantic Coast?

Mr. Fairhurst.—Yes. It is something like 30 to 32 shillings.

Mr. Ginwala.—Have your Company got any arrangement with the Railway Companies about freight?

Mr. Fairhurst.—Exactly the same rates as Tatas.

Mr. Ginwala.—And do they extend to the whole of the Indian railway system or to only particular Railway Companies?

Mr. Fairhurst.—Our contracts are with two Railway Companies, the East Indian Railway and the Bengal Nagpur Railway. Our raw materials do not touch any other railway.

Mr. Ginwala.—I am asking you because it was stated that Tatas have this arrangement practically all over India.

Mr. Fairhurst.—They have reduced rates for their products all over India, but not for their raw materials.

Mr. Ginwala.—You have not thought of entering into any arrangement for your products?

Mr. Fairhurst.—We have got the same rates as Tatas but not over all railways.

Mr. Ginwala.—They are much below the normal rates I take it.

Mr. Fairhurst.—Yes, but we have to give the minimum ton mileage per annum—30 million ton miles—before we obtain the concession rate from the railways. In Tatas' case it is only one railway, the Bengal Nagpur Railway.

Mr. Mather.—Does that mean for instance that if you are to get the benefit of the lower rate on the Great Indian Peninsula you will have to guarantee 30 million ton mileage on the Great Indian Peninsula?

Mr. Fairhurst.—We have this arrangement with two railways, and we have to give a total of 60 million ton mileage per annum for the two railways.

Mr. Mather.—As regards special rates on other railways for your finished products?

Mr. Fairhurst.—There is no minimum. These rates are much higher: they are not so low.

Mr. Ginwala.—Do you think that you are in need of these rates?

Mr. Fairhurst.—We have them on other railways. They are just like Tatas.

Mr. Ginwala.—I do not suppose that you have any occasion to make use of these railways.

Mr. Fairhurst.—Yes, for pig iron and the by-products. We send pig iron to Bombay, Madras, Lahore and other places by rail.

Mr. Ginwala.—Suppose there was protection to the steel industry in India, do you think that the rates are such that you would be able to compete against the British manufacturer at Bombay according to the present rates? I understand that you have got to pay Rs. 15-8-0 a ton.

Mr. Fairhurst.—The present rate is Rs. 19 a ton and we are now selling pig iron at Bombay in competition with British pig iron.

Mr. Ginwala.—Because there is a bigger margin there than on steel?

Mr. Fairhurst.—In the case of steel I cannot tell you at the moment what the rate is from Asansol to Bombay. I have not got the figures here.

Mr. Ginwala.—What is the rate from your place to here?

Mr. Fairhurst.—It is Rs. 2-12-6 a ton from Asansol to Calcutta.

Mr. Kale.—Are we to take it that the attitude of the Company with regard to steel manufacture is one of "wait and see"?

Mr. Fairhurst.—Yes. It is exactly that.

Mr. Kale.—That is to say, you will be guided by the position of the existing steel industry in the near future and, if you think that the existing

steel works are carried on successfully on account of the protection granted by Government, then you may think of starting steel manufacture yourself?

Mr. Fairhurst.—Yes, then we are in a position to raise the necessary capital.

Mr. Kale.—So you think that some measure of protection is necessary to enable you to start the steel manufacture?

Mr. Fairhurst.—Either protection or a bounty is absolutely essential for us.

Mr. Kale.—So you think that some sort of encouragement is necessary: otherwise the necessary capital would not be forthcoming and you will not be able to compete with foreign manufacturers?

Mr. Fairhurst.—Yes.

Mr. Kale.—You have said in your letter "No capitalist or financier would hazard his money in building a plant faced with the current severe competition from the United Kingdom and other countries." I think you are referring to the current low price of British steel for example?

Mr. Fairhurst.—Yes.

Mr. Kale.—Do you think that this price will continue at this low level for a long time?

Mr. Fairhurst.—It is very difficult to say. It depends on the cost of living in Great Britain. It may come down or go up. Personally I think the prices are now as low as they possibly can be.

Mr. Kale.—So if they remain at the present figure, or rise, say, by 10 per cent., that would not give you sufficient margin to start steel manufacture?

Mr. Fairhurst.—No.

Mr. Kale.—Do you think that the 33⅓ per cent. proposed is absolutely necessary for making steel manufacture successful or that a lower rate would be enough?

Mr. Fairhurst.—That has been shown by the only steel producing company at the present moment and that is the best thing to go by.

Mr. Kale.—You have no special views about it?

Mr. Fairhurst.—No. We have not gone into the question in any detail.

Mr. Kale.—Will the capital needed for starting steel works be raised in India or in England or in both countries?

Mr. Fairhurst.—I should say undoubtedly that any further capital for our Companies in India would be raised in this country.

Mr. Kale.—When you say that a return of 10 to 12 per cent. is necessary you are referring to Indian conditions, not to British conditions?

Mr. Fairhurst.—Yes, to Indian conditions.

Mr. Kale.—In one of the answers you gave you said that your output per man compared favourably with the output in England and other countries. Do I understand you correctly?

Mr. Fairhurst.—I did not say output per man. If I did, I meant output per rupee and furnace.

Mr. Kale.—Per rupee of capital invested?

Mr. Fairhurst.—Per rupee of wages spent.

Mr. Kale.—I take it that you are of opinion that India should not be content only with the manufacture of pig iron. You are indeed receiving high prices for pig, but you should not be content only with the manufacture of pig iron, which after all is the raw material for the steel industry.

Mr. Fairhurst.—Yes.

Mr. Kale.—There is a very large margin to-day between the Indian price and the foreign price of pig iron but that margin might perhaps dwindle down, and in the long run it will be profitable for the country to develop steel manufacture as well?

Mr. Fairhurst.—Quite so.

Mr. Kale.—You say here: "We ourselves think that, if a protective duty of 33⅓ per cent. was arranged, it would act as a strong inducement to the development of steel making plant in India. We and others who at present could not consider any such proposition would undoubtedly be favourably influenced by the prospect of the help so afforded, the more so if Government would call for all their requirements by tenders in India and give preference to the users of Indian steel." Do you think that if steel manufacture is adequately protected this further concession is necessary?

Mr. Fairhurst.—If the steel industry is sufficiently protected you will cultivate an Indian market of your own. There will not be one or two firms, but there will be half a dozen firms and you will get competition.

President.—Mr. Kale's point is this: In that passage that he read there are two measures proposed: (1) protection and (2) a sort of undertaking by Government that orders should be placed in India. What he put to you was that, if the protective duty was adequate, would not that cover the whole ground?

Mr. Fairhurst.—No, because in many cases where prices are asked for steel in England, we never hear about them.

President.—At present Government does not pay the duty. Supposing the law on that point was changed and all Government departments were to pay duty on their imports, do you think that the position would then be satisfactory, or do you still think that some additional guarantee or undertaking by Government would be necessary?

Mr. Fairhurst.—Our point here is that tenders should be called for in India, *i.e.*, that we should be given an opportunity to quote. At present we do not, sometimes, get an opportunity to quote.

Mr. Kale.—Your point is that you should be placed on a footing of equality with the British manufacturer.

Mr. Fairhurst.—Yes. Tenders should be called for on the same basis—rupee tenders.

Mr. Kale.—With regard to your raw material you are placed in a favourable position on account of protection. Will it be necessary that more encouragement should be given or some more facilities or concessions should be given by Government in order to enable you to compete successfully with the British manufacturer?

Mr. Fairhurst.—I do not think so. If the business is sufficiently protected it is sufficient so long as you have got an opportunity to tender.

Mr. Kale.—Your point will then be only that if Government do not ask for tenders simultaneously in both countries, you do not want any further concessions than in the matter of price.

Mr. Fairhurst.—No.

Mr. Kale.—Suppose you start steel manufacture in the next two years. How long will it take you to train your labour in this country for steel manufacture?

Mr. Fairhurst.—It will take three to four years to complete the plant: another two to three years to train labour to get the best results.

Mr. Kale.—So altogether it will be a period of 5 or 6 years before you are able to stand on your own legs so far as your trained labour is concerned?

Mr. Mather.—You told us that you raised a capital of 3 crores of rupees and I understand that that was intended to meet your production of pig iron alone. Was that intended to provide just for the two blast furnaces or did you expect to build more than that?

Mr. Fairhurst.—For two blast furnaces, coke ovens, sulphuric acid plant, limestone and collieries.

Mr. Mather.—You anticipated that the total cost of the two blast furnaces and the necessary auxiliaries would cost you Rs. 3 crores?

Mr. Fairhurst.—Originally it was estimated to cost less.

Mr. Mather.—Originally three crores was intended to provide more plant?

Mr. Fairhurst.—Owing to the delay and the extra cost of completing the plant this was raised to Rs. 3 crores. Originally the capital was Rs. 1½ crores, but it was not enough.

Mr. Mather.—You have not cut down your programme but have increased your capital. That estimate of Rs. 1½ crores for the two blast furnaces and the necessary accessories was prepared in 1918-19?

Mr. Fairhurst.—March 1918.

Mr. Mather.—Do you think if you had to start again, the price of the plant would be somewhere nearer to your original estimate?

Mr. Fairhurst.—It would not be greatly in excess, but there will be difference in the rate of exchange.

Mr. Mather.—Had you particular benefit in the rate of exchange?

Mr. Fairhurst.—Yes.

Mr. Kale.—It was about 1*s.* 8*d.* in 1918-19.

Mr. Mather.—The rate was favourable and you budgeted for it and prepared your estimates on that basis?

Mr. Fairhurst.—We under-estimated the cost and there was labour trouble and serious delay.

President.—In any case your remittances on account of capital were not made in 1918: some of them must have been made in 1919-20 and some of them made last year. You think that on the whole the advantage of the higher exchange at which you were able to remit the money counterbalanced the higher prices that had to be paid at that time?

Mr. Fairhurst.—Not altogether.

Mr. Mather.—But still the position is this. In 1918 you expected to be able to complete two blast furnaces and coke ovens and develop your iron ore and the coal necessary for it for Rs. 1½ crores, and you think that if you had to start again now it would not cost you very much more than Rs. 1½ crores to put up the same plant?

Mr. Fairhurst.—It would cost more but not very much more.

President.—About two crores?

Mr. Fairhurst.—It would not be more than Rs. 2 crores.

Mr. Mather.—I just wanted to have some indication as to what it would cost now for starting a new plant for steel manufacture.

Mr. Fairhurst.—I ought to explain that the Rs. 2 crores was only for blast furnaces and coke ovens but it did not include collieries, new coal mines and things like that.

Mr. Mather.—You think you could put up two more blast furnaces, additional coke ovens and other additional plant at the works at Asansol at an additional cost between Rs. 1½ and 2 crores?

Mr. Fairhurst.—Yes.

Mr. Mather.—Did your Company at any time try to get a general plan for the steel works?

Mr. Fairhurst.—No.

Mr. Mather.—Have you considered what method of steel manufacture you would adopt?

Mr. Fairhurst.—No. We prepared a plan of the site and provided space in the power-houses, etc., and left it there.

Mr. Mather.—In designing your plan you left spaces for suitable accommodation for power-houses and so on but you never went beyond that?

Mr. Fairhurst.—Yes.

Mr. Mather.—I notice in your letter you have told us "The prospectus [fi]led with the Registrar of Companies, Bengal, states; it is the intention of [th]e Company to lay out its plant at first solely for the production of pig iron [a]nd ferro-manganese." Are you making ferro-manganese for the market?

Mr. Fairhurst.—Not now.

Mr. Mather.—I ask you that because some of the small industries com-[p]lained that they cannot get ferro-manganese at the present time in India.

Mr. Fairhurst.—We have not produced it as the market has not been [f]avourable.

Mr. Mather.—You have already told us that you are not connected closely [w]ith the wheel and axle plant. I wonder whether you happen to know [w]hether the Company have considered the question of manufacturing wheels [a]nd axles from steel supplied by the Ishapore Ordnance Factory.

Mr. Fairhurst.—I do not know.

Mr. Mather.—To what extent do you think that the quality of Indian [c]oke affects the cost of pig iron?

Mr. Fairhurst.—If we had 8 or 9 per cent. ash we could make a ton of [p]ig iron for every 1,800 to 1,900 lbs. of coke.

Mr. Mather.—That would be purer coke than most blast furnaces use. Sometimes the ash contents go up to 12 per cent. in other countries so that if you had coke with 10 to 12 per cent. ash you would want about 2,100 lbs. of coke for every ton of pig, and the additional burden on the pig iron industry as compared with the English is the difference between that and what you are actually using?

Mr. Fairhurst.—Also the fact that we have to use more limestone because, if the ash percentage is higher, the output is correspondingly reduced.

President.—You have told us that your coal tar is sold. Can you tell me for what purpose the demand exists for coal tar? Do you know what the purchasers are doing with that?

Mr. Fairhurst.—Most of it is taken by the Shalimar Tar Distillation and Manufacturing Company, Limited, and we do not know what they are doing with it.

President.—In answer to a question by Mr. Ginwala you said that in order to attract capital to an industrial investment, a return of something like 10 to 12 per cent. was required, and anything less than that would be practically out of the question. I take it that in the case of a large concern, a proportion of the capital is made up of preference shares and debentures which carry a lower rate of interest.

Mr. Fairhurst.—Provided the business is a sound one and the original [c]apital was showing a profit, you could raise money at a lower rate.

President.—Is that a higher rate than would have been necessary before [t]he war?

Mr. Fairhurst.—Before the war we could raise preference shares out here, [a]s many firms did, at 7 per cent. on a sound business.

President.—Do you think that the rate is likely to stay up for a number [o]f years to come; that is to say, is there likely to be a greater demand for [c]apital than there is?

Mr. Fairhurst.—It is not likely to come under 8 per cent. for some time.

Mr. Ginwala.—I want to know what your system of writing off deprecia-[t]ion is on your blast furnace plant. Do you accept the income-tax rate as [a] reasonable rate, or do you consider it too low in some cases?

Mr. Fairhurst.—It is too low in some cases; for instance one has to [d]epreciate the lining of blast furnaces probably 20 per cent., and the coke ovens [p]robably 15 to 20 per cent.

Mr. Ginwala.—Does that form a large percentage?

Mr. Fairhurst.—Yes, the fire bricks and other materials in blast furnaces [fo]rm a large part.

Mr. Ginwala.—They allow 7½ per cent., as you know, on machinery. Do you consider this adequate?

Mr. Fairhurst.—Quite inadequate for that part of the work.

Mr. Ginwala.—That applies to the blast furnace and coke ovens which are the principal items?

Mr. Fairhurst.—Yes.

Mr. Mather.—That is the rate allowed for blast furnaces?

Mr. Fairhurst.—That is the rate which I consider should be allowed. From what I remember of the schedule this is not covered at all.

Mr. Ginwala.—Do the blast furnaces come as machine? If it is classed as a building it is 2½ per cent.

Mr. Fairhurst.—It is 7½ per cent.

Mr. Ginwala.—In your own books how do you keep it?

Mr. Fairhurst.—Up to the end of our last financial year we were operating for two or three months only and it was more in the way of starting the plant, and we did not fix any definite depreciation. But this year we intend to fix the depreciation on linings in furnaces and ovens at so much per ton of production.

Mr. Ginwala.—Will you give us some idea?

Mr. Fairhurst.—I think in pig iron, for instance, it ought to be about a rupee a ton.

Mr. Ginwala.—And in the coke ovens?

Mr. Fairhurst.—I am afraid I have not considered it far enough to put a figure on coke ovens.

Mr. Ginwala.—That is definitely for relining?

Mr. Fairhurst.—That is about the usual depreciation fixed on other plants.

Mr. Ginwala.—That is, a rupee a ton you consider as the basis they take in the States and other places?

Mr. Fairhurst.—That is about right.

Mr. Ginwala.—How about other machinery: power-house and things like that?

Mr. Fairhurst.—Blast furnace—as far as the piping and things like that are concerned. I think it should be depreciated at least 10 per cent.

Mr. Ginwala.—It comes to this, that after 10 or 12 years you would consider it as more or less scrap though, of course, it would have a certain amount of book value?

Mr. Fairhurst.—Yes.

Mr. Ginwala.—On the books it will be scrap?

Mr. Fairhurst.—Yes; one has got to cover anything that might happen to the blast furnace.

Mr. Ginwala.—You don't expect to renew it.

Mr. Fairhurst.—In two years' time the piping might fail, if you did not keep up the linings.

Mr. Ginwala.—As far as the ordinary relining is concerned that goes to the relining fund?

Mr. Fairhurst.—Yes.

Mr. Mather.—The Income-tax Collector might allow that towards working expenses?

Mr. Fairhurst.—They could do that, but I consider that a steel works plant is nothing like, say, the machine in a machine shop for which Government has fixed 7½ per cent.

Mr. Ginwala.—I take it that on buildings 2½ per cent. is reasonable?

Mr. Fairhurst.—I think so.

Mr. Ginwala.—On your sanitary plant how much do you allow?

Mr. Fairhurst.—The same amount as on buildings. On the machinery it is 7½ per cent.

Mr. Ginwala.—That would apply to electric machinery, I take it?

Mr. Fairhurst.—Yes.

Mr. Ginwala.—In your system of accounts, how do you show depreciation? Do you keep a separate depreciation fund account and draw against it?

Mr. Fairhurst.—Last year we did not have a regular system.

Mr. Ginwala.—What is your idea?

Mr. Fairhurst.—It will have to be decided by the Company at the end of the financial year in March. My personal idea is that we should depreciate as far as possible in accordance with the scale which we think is reasonable as I have just indicated.

Mr. Ginwala.—You would put on the asset side what you write off as depreciation for the time being?

Mr. Fairhurst.—Yes.

Mr. Ginwala.—And then you will keep up the book value of the plant?

Mr. Fairhurst.—So it seems to me.

President.—What Mr. Ginwala wants to know is this: would you have a depreciation fund on the liability side and leave the fixed capital expenditure at cost, or would you write down the fixed capital expenditure on the assets side?

Mr. Fairhurst.—Some people do that.

Mr. Ginwala.—Supposing your book value comes to Rs. 3 crores.

Mr. Fairhurst.—I know what you mean exactly. We would write off the depreciation on the book value every year.

Mr. Ginwala.—Or would you keep the Rs. 3 crores on your asset side and create a separate depreciation fund and then when you want to renew it would you debit the amount spent against the depreciation account?

Mr. Fairhurst.—It makes no difference, one way or the other. I think this Company would probably write off all the book value each year; it will, however, have to be decided at the end of the financial year by the Company.

Mr. Ginwala.—You have experience of keeping a depreciation account?

Mr. Fairhurst.—My own experience is that a separate depreciation fund is created and the book value is maintained and whenever opportunity occurs it is written off.

Mr. Ginwala.—That is, for the time being you either invest it in any business or use it as working capital or anything else, as the case may be, until such time as you are ready for your renewals?

Mr. Fairhurst.—That is so.

Mr. Ginwala.—Is there in the country any prejudice against the locally manufactured article which makes it necessary for you to reduce your price even though the quality and other things are the same?

Mr. Fairhurst.—There is no doubt that even when a Company here is supplying an article of equal quality, they have to quote a lower price in order to get orders.

Mr. Ginwala.—Supposing English steel is landed here at Rs. 150, would you be able to realize Rs. 150?

Mr. Fairhurst.—There is great distrust among buyers here that the Indian material may not be quite as good.

Mr. Ginwala.—You would have to sell it a few rupees lower than the imported price?

Mr. Fairhurst.—Yes. That is due to the fact that there is some prejudice against local products. People are apt to think that they get a better article from England and other countries; I do not know why.

Mr. Ginwala.—I was not able to follow your answer to Mr. Mather. You say that if you have to build the same plant now, you would be able to do it for the same Rs. 150 lakhs?

Mr. Fairhurst.—I said for 150 to 200 lakhs. We have had the experience of building one since we made our estimates.

Mr. Ginwala.—For Rs. 3 crores you completed your plant; that included the collieries, ore mines, buildings and everything else?

Mr. Fairhurst.—Yes.

Mr. Ginwala.—Buildings and collieries must have carried away a certain amount of the Rs. 3 crores. What was the net cost of the plant alone?

Mr. Fairhurst.—I cannot just remember the figures at the moment. That is shown in our accounts* of last year which we are going to send you.

Mr. Ginwala.—Having regard to the exchange and other matters do you think there would have been any substantial difference? You purchased at a more favourable exchange at that time?

Mr. Fairhurst.—Yes.

Mr. Ginwala.—When you projected your works did you anticipate that there would be such a great drop as there has been in fact in the price of machinery and plant?

Mr. Fairhurst.—We did not. Like most people we thought that those conditions were going to continue for a number of years.

Mr. Ginwala.—Your project was based on the 1918 prices?

Mr. Fairhurst.—No; in our prospectus we gave prices which were very much lower for our outturn; on the other hand since then the costs of production have gone up very much owing to the increased cost of coal and wages.

Mr. Ginwala.—By how much are you out?

Mr. Fairhurst.—I would rather not give any details of our cost of production.

Mr. Ginwala.—As you know our position is that we would like to get some tangible information. For this purpose we are, of course, not pinning you down to anything you say, nor do we wish to press you if you do not want to answer any question. The point, however, is this. Tatas and various other people went in for these projects, just about that time and what is suggested is that if they had not done that, they might have saved a considerable amount of money. You appear to be in the same position. The point I wish cleared up, if possible, is: at that time did you have reason to suppose that there would be this great difference either in the price of the machinery that you intended to purchase or, in the case of the outturn, the cost of production?

Mr. Fairhurst.—Yes.

Mr. Ginwala.—In your estimate for labour, for instance, by how much were you out?

Mr. Fairhurst.—Labour has generally increased about 50 per cent.

Mr. Ginwala.—The cost went up from Rs. 6 to Rs. 10 a ton. These are the two main items?

Mr. Fairhurst.—Yes.

Mr. Ginwala.—When did you get all your machinery, or most of it?

Mr. Fairhurst.—They started to arrive in September 1919 and went on arriving for two years.

Mr. Ginwala.—Was it purchased during that period?

Mr. Fairhurst.—Most of the contracts were made at the time when the Company was floated.

Mr. Ginwala.—That is, say, about 1918?

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* Not printed.

[r. *Fairhurst.*—Yes.

[r. *Ginwala.*—And remittances were sent as they became due?

'r. *Fairhurst.*—Yes, just before the big jump in price; about 1919 I

..

r. *Mather.*—So that for the payments which fell due in 1919, which came considerable amount, you got the benefit of the exchange?

r. *Fairhurst.*—Yes, except that some money was remitted soon after Company was floated. It was fairly well up and we did not know ıer it would go up further.

r. *Ginwala.*—Is it your practice always to cover the exchange when you 't anything or do you wait till the article arrives?

'. *Fairhurst.*—At that time it was the practice for most firms to cover xchange when any contract was made.

'. *Ginwala.*—There was the possibility that the exchange might be ıore favourable if any firm waited; did any firm act on that basis?

'. *Fairhurst.*—You cannot safely gamble with exchange to that extent.

. *Ginwala.*—Each time that you make a contract, do you cover the ıge?

. *Fairhurst.*—Generally speaking we cover most of the exchange when ›er into a contract.

. *Mather.*—You would not be in a position to cover all?

Fairhurst.—I don't think we cover all, but generally speaking we

Ginwala.—Did you order the whole thing as a complete plant from ıt?

Fairhurst.—No. The plants were supplied under different contracts erent firms. Some parts of the blast furnace were ordered from one ıd certain parts from another; the same with the coke ovens and the lucts plant. The coke oven is of English design but parts of it are an, and the blast furnace is wholly American with the exception of the ; plant which is British.

No. 76.

The United Steel Corporation of Asia Limited.

Written.

Statement I.—Written evidence given by Mr. E. S. Tarlton, Partner, Bird & Co., Managing Agents of the United Steel Corporation of Asia, Limited, before the Tariff Board.

We believe the permanent success of an iron and steel industry in India demands three essentials:—

(A) Practically unlimited high grade raw materials in the vicinity of the works;

(B) An alliance between the controllers of these raw materials and eminent steel interests;

(C) The co-operation of a powerful Indian financial and distributing group.

With these principles in view, my firm (Bird & Co.) and Messrs. Cammell Laird and Company, Limited, of Sheffield and London, have organised the United Steel Corporation of Asia, Limited.

Messrs. Cammell Laird and Company, Limited, the British Steelmakers, Shipbuilders, Engineers, Forgemasters, Founders, Armour Plate, Ordnance and Railway Material Manufacturers, own the following works:—

The Cyclops Steel and Iron Works, Sheffield.

The Ordnance, Steel, Tyre and Spring Works, Grimesthorpe, Sheffield.

The Yorkshire Steel and Iron Works, Penistone, Yorkshire.

Messrs. Cammell Laird's Shipbuilding Yard and Marine Engineering Works, Birkenhead.

The Railway Carriage and Wagon Works, Nottingham.

And they also own the controlling interest in—

The Midland Railway Carriage and Wagon Works, Birmingham.

They are also associated with other groups concerned in the manufacture of iron and steel and products therefrom.

The United States of America is now the leading steel country of the world, and before the war both the United States of America and Germany had passed the United Kingdom in the race for supremacy. The Directors of our Corporation consider that the factors which made it possible for these changes of position to take place are present in India to-day.

Raw materials.

The raw materials of the industry are found grouped conveniently near eminently suitable sites for Works.

The iron ore is present in practically unlimited quantities and is of the highest class.

The Corporation will possess the pick of the fluxing limestones available which owing to the deposits lying above ground can be quarried with extreme cheapness.

The coal, which the Corporation have an option on, is almost unique inasmuch as half the principal seams of first class coal can be quarried for years. The Corporation is therefore assured of a sufficient supply of easily won coal.

Sites for Works.

The fullest advantage has been taken of all existing and proposed railway facilities in fixing the Works site, and freights will be reduced to a minimum thereby.

Labour.

Indian labour owing to the climate enjoys permanent economic advantages over labour under more rigorous conditions, even when living at a relatively higher standard. It readily responds to good management and comfortable housing conditions.

As it is estimated that over 75 per cent. of the cost of a ton of steel is represented by wages in one form or another, the advantages to the industry in India are obvious.

Technical control.

The difficulties of technical control and the supply of technical staff of the highest class, which have hitherto been a serious handicap to the industry in India, will be overcome by the association of Messrs. Cammell Laird and Company, Limited, as Technical Advisers, responsible for the staffing of the Works. The United Steel Corporation of Asia, Limited, will therefore be able to rely upon the experience and resources of a corporation instead of those of individuals.

Output.

The Works will have an output of 450,000 tons of rolled steel per annum, besides pig-iron, ferro-manganese, iron and other ores, coal, coke and by-products. In the beginning it is proposed to proceed with one-quarter of the undertaking.

Indian capital, Directors, and Technical Staff.

It is desired that Indian capital should take full advantage of the opening afforded by the Corporation, and Indian interests will be adequately represented on the Board of Directors. The Corporation will also give every assistance to Indians in its works to gain knowledge and experience of steel-making, which it is considered must become one of the greatest of Indian industries.

The organisation of the Steel Corporation has been in hand for four years, with a view to obtaining extensive development of the deposits of Indian materials for an iron and steel industry, upon the soundest possible lines, utilising Indian finance, associated with the management of leading Indian gentlemen, combined with the highest technical skill and advice. The Advisory Board represents many important interests; the association for the staffing of the works, will also ensure a permanent continuity of the highest class of works management and the connection of the Corporation with the markets and manufacture of the world.

The operations of the Steel Corporation will offer unrivalled opportunities for the establishment of associated industries, which will combine in a similar way the finest technical knowledge and capacity of the west with the raw materials and financial resources of the east.

It may now be taken as fully established that India is destined to become a factor of the greatest importance in the world manufacture of steel. The abundance of iron ore of the highest quality, the cheap fuel, labour and railway freights, the geographical convenience from the point of view of markets, and the comparative freedom from the after effects of the war all serve to confirm this view.

Owing to the demand which took place during the war for steel, a serious inroad was made upon the deposits of high grade ores in all parts of the world. At the same time impetus was given to prospecting in India, with the result that while many countries, so far as accessible ores are concerned, are being forced to the use of lower grade materials, India has at its command practically untouched fields of the richest iron ores. Manufacturers are turning their attention to new sources of supplies, but these invariably mean largely increased freights due to long leads. In India, where the coal and iron are comparatively near to each other, it is clear that the opportunity exists either to make iron upon the spot, or to export the ores, but the latter course would not be so advantageous to the country.

The Corporation will be closely in touch with the iron and steel trade throughout the world, and every opportunity will be taken to export productions wherever markets are favourable. Apart from manufactured goods, agencies will be utilised for the sale of ores, ferro-manganese, coal and coke, tar and other by-products, and the situation of India, almost midway between the great European and American markets, will place the Corporation in a strong position as an exporter. In regard to Asiatic and East African trade it will have special advantages.

In regard to local markets, it has been estimated recently by a competent authority that the consumption per head of iron and steel in India is less than one-hundredth of the consumption per head in the United States of America, but even with this limited consumption there is ample room for an undertaking of the size now proposed, merely for sales in India. Several million pounds sterling were sent out of the country yearly before the War in payment of iron and steel goods, of which a large proportion could be made locally, given the technical control and experience. If, apart from this, the demand per head of population grows, as has been invariably experienced elsewhere with the increase of education, the scope for the Corporation's operations in India alone appears almost unlimited, the only check to progress being the lack of works to make up the iron and steel produced. The Corporation will be in a unique position in regard to this side of the matter having regard to its associated groups, and apart from this the present scheme will provide extensive manufacturing facilities from the commencement of operations.

Our plant is designed in the most economical units for each operation, and it will be of thoroughly modern type, embodying labour-saving appliances wherever possible. Fullest advantage is being taken of past experience, not only European and American, but Indian also. All designs will allow for any expansion desirable in the future.

The undertaking when running full will produce approximately:—

670,000 to 720,000 tons of pig-iron per annum, from which will be produced,

600,000 tons of steel ingots, from which will be produced,

450,000 tons of rolled steel,

and also "inferiors," scrap, foundry pig-iron, ferro-manganese and by-products.

The plant will include four 500-ton per diem blast furnaces, sixteen 60-ton open hearth steel furnaces, four 500-ton mixers, and cogging, section, plate and other mills to correspond.

It is estimated that the capital eventually required for the whole undertaking, including the purchase of the sources of raw material supplies, the development of mines and collieries, the construction of coke ovens, the erection of the town and provision of housing accommodation, the cost of plant and its erection, electrical and water undertakings, offices and stores, railways, roads and bridges, working capital, freight, etc., and the promotion of associated undertakings, will be approximately Rs. 20 crores. The first issue will be of 8 crores.

Steps will be taken from the beginning to provide sales organisations throughout India and the East, and to enter into arrangements with all possible consumers, if possible under contracts, with a view to having market facilities available as soon as production commences.

The pre-war capacity of India for absorption of iron and steel materials is indicated by a careful analysis of the position up to the outbreak of war to have been about 2½ million tons a year, apart from special classes of goods which could not be made in the country for a considerable period to come. The quantities absorbed were rapidly and regularly growing, but even on this pre-war basis, there remains a consumption in India, after allowing for all indigenous production existing and hitherto proposed, of considerably more than the proposed full output of the Steel Corporation. When allowance is made for the normal growth which will have accrued by the time the Corporation is producing, it will be appreciated that the local market for its output is a very favourable one. With the possibilities of exports added, it is clear that the present programme is a conservative one.

The operations of the Steel Corporation will in the first instance be confined to the erection and working of one-quarter of the undertaking.

It will be possible in this way to revise the programme at any time shoulc this be desirable, and to take advantage of any developments that may occu during the erection of the first quarter of the undertaking.

An essential part of the project is that associated industries should be brought into existence as soon as possible in order to strengthen the markets for the Steel Corporation's products and to make the concern, with its groupings, as nearly self-contained as possible.

The chemical side of the project has been investigated in conjunction with leading chemical interests in the United Kingdom. This will comprise the questions of the manufacture of sulphuric acid, chlorine, sulphate of amonia, benzol, creosote and many other products.

I have, Sirs, tried to lay before you the aims and objects of The United Steel Corporation of Asia, but these aims and objects are insufficient to convince the investing public and before launching our scheme it is necessary for the attitude of the Government on the Tariff question to be defined, as it appears that a protective duty on Iron and Steel imports into India will be enhanced in the near future. We are of the opinion India is bound to realise that she is going to be a large steel producing country in the near future and it is confidently expected that the Indian Government will foster the industry.

We have based our calculation on a selling price of Rs. 150 per ton for rails. Our depreciation figures are taken at 5 per cent. on plant and machinery, 2½ per cent. on buildings. On these figures we are able to show a profit, but this profit is not sufficient to attract the investor, therefore we find it necessary to ask for a small additional duty.

We as a firm with many interests are reluctant to ask for an extra duty on steel, but in doing so we feel we would be giving a great impetus to the development of the trade of this country by the flotation of The United Steel Corporation of Asia Limited because the raw materials required for our scheme are as follows :—

	Tons.
Coking coal	1,197,000
Non-coking coal	258,000
Iron ore	1,174,000
Limestone	594,000
Dolomite	48,000
Magnesite	12,000
Manganese	90,000
Fluorspar	6,000

(*a*) Refractories required in construction :—

15 million firebricks.

4 million silica bricks.

(*b*) Refractories required for maintenance :—

7 million firebricks.

4 million silica bricks.

	Tons.
Coal required for (*a*)	625,000
Coal required for (*b*)	500,000

This would mean increased trade for Engineering Works, Railways, Wagon Builders, Coal Companies, Refractories, Shipping, in fact there would be few trades which would not benefit by this development.

The minerals and materials to be handled annually are approximately 5,000,000 tons. Surely this tonnage is sufficient to induce Government to consider a policy which will in the infant stages of this industry give is

sufficient support to enable it to grow into manhood without injuring other industries dependant on steel, considering what the balance of trade will mean to the Country if we were in a position to go forward with our scheme to-day.

If it is decided to protect the existing Steel Industry by higher tariffs, we wish to emphasise the fact that many other inter-dependant Industries must also receive similar consideration, otherwise they will be placed in a position of unfair competition with imported manufactured steel. In fact the present tariffs are unfair and a drag on the development of the Country, f.i. we call your attention to the existing high tariff on Steel as compared with the low tariff imposed on machinery, which reflects adversely on manufacturers of machinery in this country. We consider the import duty on "raw" steel other than that manufactured in this country must be lower than that imposed on the manufactured article, whether the latter is imported in the form of fabricated or partially fabricated steel or in the form of machinery or parts of machinery.

Again, if Government adopt the principle that a higher scale of tariffs is justified and necessary, we consider that such tariffs as are finally decided upon must be operative on all materials imported into the country by Government in all its branches, including State Controlled Railways.

It is for Government to examine the position from the economic point of view, balancing an increased tariff rate against the revenue which the country will gain in the shape of taxation, customs duties, cesses, railway freights, etc. In case of war, steel is one of the first commodities required.

Gentlemen, we place this information before you to assist in enabling you to take that broad view which is so essential for the welfare and building up of this country which contains so much undeveloped Mineral wealth.

We take the view it is possible to increase the present tariffs 5 per cent. without throwing a further burden on to the country, because the revenue paid directly or indirectly would more than balance the difference.

With this protection and by exempting steel-makers from import duty on all plant required directly for steel making, providing such plant cannot be made in this country, we are of the opinion India will be in a position to compete in the steel trade.

Statement II.—Letter, dated 7th November 1923, from Mr. Tarlton of Messrs. Bird and Company, to the Tariff Board.

I have the honour to enclose further copies of the written evidence submitted by me on behalf of The United Steel Corporation of Asia Limited and in connection with the coal trade.

With reference to my application that I might be permitted to reconsider the request made for an additional import duty on steel, I beg now on behalf of The United Steel Corporation of Asia Limited to ask for an additional duty of 10 per cent. to be placed on imported steel.

In his evidence before the Tariff Board on the 5th Mr. E. S. Tarlton made the following remarks in connection with coal trade.

Supply and demand caused the general rise in coal prices in 1920. Until then the trade had never received a fair price for its coal, therefore this industry was throttled in its infancy by the factor which is its menace to-day, *i.e.*, Wagon Supply.

In 1906 coal was purchased at an average price of Rs. 2-15 per ton. Such companies as had not a contract which gave them a guaranteed wagon supply were crushed almost out of existence.

Those who held contracts at these prices had to resort to methods which handicapped and are still handicapping a clear cut mining policy of up-to-date methods.

Millions of tons of coal can be seen lying unworkable in the Raneegunge and Jherriah areas. Acres of superincumbent strata are now chasm collecting large quantities of water and passing this on into the mine to be dealt with by expensive pumping plant, jeopardising the very existence of some mines, increasing the cost per ton in others: all due to what? The short-sighted policy of the past brought about by the system or lack of system of wagon distribution which is still our daily impediment and still handicaps the development of the mines.

Until this most important matter is adjusted I do not see how it is possible to reduce selling prices.

If transport were on a sound basis and we were able to remove the coal as it is raised and as is done in other countries, it would be a easy matter to reduce prices and give a satisfactory return to the investing public.

You ask, Gentlemen, how wagon supplies affect the cost per ton. I will refer back to 1906 when the average price was Rs. 2-15 per ton and reached Rs. 3-11 in 1917. I do not hesitate to say such prices did not permit the scientific development of a coal mine and this is partially responsible for 63 collieries with a capital of Rs. 314 lacs paying no dividend to-day.

It is within recent memory that many collieries could only eke out a living by working rise coal. Rise coal may be cheap at the time, but it becomes expensive when surfaces have subsided, leaving mines subject to flooding and fire.

Again shortage of wagons increase costs by necessitating dumping. Every ton of coal dumped means a direct waste of Re. 0-8-0. Further the percentage of small coal is increased from 22 per cent. to 39 per cent.

Speaking for the Coal Companies my firm represent, I here mention we are carrying and have carried a constant burden of Rs. 10,000,000 of stocks for the past 3 years, which is approximately Re. 0-8 per ton (interest charges). Analyse what this means in labour. We must engage labour, house it and hold it in readiness to pick up dumped coal and load it as and when wagons are supplied. This labour is non-productive, look at the difference from the other side of the picture! Instead of employing two men on the surface to every three in the mine, we were able to load direct into wagons

Taxation.—In 1913 one of our coal concerns raised approximately 11¼ lacks of tons—for this we paid Rs. 19,200 in income-tax and Rs. 10,200 in cesses. In 1922 the same company paid for the same raisings Rs. 2,58,000 in income-tax and Rs. 1,67,000 in cesses, equal to a 1,300 per cent. increase and a 1,600 per cent. in the other. Expenditure at the colliery was 25 lacks in 1913; this was increased to 50 lacks in 1922. Wages in 1913 amounted to 13 lacks, in 1922 to 27,50,000. Stores cost Rs. 2,75,000 in 1913—Rs. 6,17,000 in 1922.

We are not unmindful that wages are on a high basis and a break here is inevitable. With this and the savings made possible by improved wagon supply (the wagon trouble is undoubtedly responsible for Re. 1-8-0 per ton) relief in the shape of taxation, rebates in freight for coal to the Port of Calcutta, I am optimistic enough to believe that we should place the coal trade of this country second to none and be able to market our coal Rs. 2 per ton below 1924 prices.

My reference to rebates in freight to the Port of Calcutta may leave you wondering as to what this has to do with reduced prices. It means this, the more markets recovered the greater the despatches, which means a reduction in Overhead Charges.

Finally, one word of warning, if under the present system of wagon control unremunerative prices are forced upon the coal owners, the trade may be driven to adopt the system of working that was in vogue 15 years ago, which means the future generation will pay dearly for the great essential this country depends upon for its development.

Statement III.—Letter, dated 9th November 1923, from Messrs. Bird & Co., to the Tariff Board.

In connection with the evidence given before you on the 5th instant by Mr. E. S. Tarlton on behalf of the United Steel Corporation of Asia, Limited, we have the honour now to enclose for your information the following, in accordance with your request:—

(1) *Memorandum and Articles of Association of the United Steel Corporation of Asia, Limited.

(2) Note on the proposed joint remuneration to be paid to the Technical Advisers and Managing Agents.

(3) Note on the distances of raw materials from the proposed site of Works.

(4) Comparative statement showing cost of works erected in England and in India.

(5) Estimated cost of the acquisition and development of raw material properties.

(6) Estimate of the cost of 1 ton rolled material.

(7) Note on Capital and raising costs of a colliery with an output on 220,000 tons a year.

(8) Memorandum on the demand for iron and steel in India.

(2) Proposed Joint Remuneration.

1. On the value of all permanent works of the Company erected on behalf of the Company a commission at the rate of Rs. 5 per cent.

2. For the first 5 years commencing 3 months after date of first public issue of capital a fee of Rs. 2 lakhs per annum together with a commission at the rate of 5 per cent. on the annual profit of the Company after deducting interest on debentures or other loans but before placing any sum to depreciation reserve or other special account and before making any provision for income-tax, super tax, excess, profit, duty, or other like impositions.

3. After the first five years as above to the date of the termination of the appointment of the M. As: and T. As: a fee of Rs. 5 lakhs per annum together with a commission at the rate of Rs. 5 per cent. on the annual profit of the Company calculated as aforesaid so long as the dividend and/or bonus on the issued ordinary shares of the Company does not exceed 7 per cent. per annum on such shares together with a commission of 1 per cent. for each additional dividend and/or bonus of 1 per cent. beyond 7 per cent. declared in respect of such ordinary shares in any year with a maximum of ten per cent. per annum on such profit.

(3) Note on distances of raw materials from proposed site of Works.

	Miles.
Coal	168
Iron ore	124
Limestone	50
Manganese ore	124

Revised figures on the above subject to further railway construction.

	Miles.
Coal	168
Iron ore	53
Limestone	50
Manganese ore	53

* Not printed.

(4) *Comparative statement showing the cost of erection of blast furnace at Home and in India.*

	Effect at Home.	Effect at India.
	£	£
Coke ovens	366,066	406,094
Blast furnace	363,617	409,548
Open hearth	518,193	649,859
Mills	1,238,841	1,433,256
Power station	451,816	505,817
Railways and Stock	255,701	282,229
Workshops	131,336	152,648
Water and Hydraulic	147,956	163,211
General	70,217	70,794
TOTAL	3,543,743	4,073,151
Add contingencies 10 per cent.		426,849
Say £		4,500,000

The above covers—

1 Blast Furnace.
70 Coke Ovens.
1 Mixer and 5 60-Ton Steel Furnaces.
Mills to cover all British Standard sections and sheets.
Necessary auxiliary plant.

(5) *Estimated cost of the acquisition and development of raw material properties required.*

	Rs.
Coal	40,00,000
Iron and manganese ore	18,00,000
Limestone	15,00,000

(6) *Estimate of the cost of 1 ton rolled material.*

	Rs.	A.	P.
Pig Iron—			
Material—			
Ore	4	0	0
Coke	19	0	0
Limestone	1	8	0
Labour	3	0	0
Working and other charges	5	0	0
Cost of pig iron per ton	32	8	0
Ingots—			
Material	36	0	0
Labour	8	0	0
Working and other charges	24	4	0
Cost of ingots per ton	68	4	0

Rolling Mills—

	Rs.	A.	P.
Material	75	13	0
Labour	7	0	0
Working and other charges	19	2	0
	101	15	0
Depreciation	23	7	0
Cost per ton Rolled Material (Rails)	125	6	0

(7) *Note on capital and raising costs of a colliery with an average output of 220,000 tons per year.*

	Rs.	A.	P.
Total capital invested	8,00,000	0	0

Total block expenditure to date—

	Rs.	A.	P.
Block	13,15,320	11	0
Building	3,62,466	6	1
Machinery	8,85,226	15	2
Electric installation	5,85,023	11	7
Filtered water installation	8,249	0	0
Railway siding	45,193	6	7
Furniture	3,052	5	0
	31,51,532	7	5

NOTE.—The total Depreciations taken against the above is Rs. 18,11,032-7-5.

Yearly depreciation allowed by income-tax authorities.

	Rs.	A.	P.
Machinery 10 per cent.	43,110	14	4
Electric installation 7½ per cent.	36,336	7	6
Buildings 5 per cent.	12,734	10	10
Railway siding 5 per cent.	964	8	10
Furniture 5 per cent.	557	1	7
Shaft sinking 5 per cent.	20,445	12	10
	1,14,149	7	11

	Rs.	A.	P.
Working capital	9,17,080	0	0

Raising costs.—(Colliery only) Rs. 3-12-2 per ton.

This does not include overhead charges, depreciation taxation or other sundry items.

(8) *Memorandum on the demand for iron and steel in India.*

(Note prepared in 1919.)

Apart from exports, this depends upon the *capacity of the* country for absorption. It must be remembered that this is of 2 kinds :—

(*a*) Normal user and replacement (annual).

(*b*) Connected with development (individual to particular year and dependent upon rate of progress).

In 1913 there was a considerable rise in absorption apart from machinery, etc., and the net figure was about 1,060,000 tons as against previous 2 years about 750,000 tons per annum. Having regard to recovery from war conditions assume the demand from 1922 to 1925 to be 1,500,000 tons per annum or 50 per cent. in excess of best previous years.

To this must be added machinery (of all kinds, electrical, printing, prime movers, locomotives), rolling stock, etc., which is taken at 1,000,000 tons per annum apart from improbable and remote items, allowing for difficulties of recovery, delivery labour, etc. (Approximately the same figure as 1913.)

Statement IV.—Letter, dated 11th December 1923, from Messrs. Bird & Co., to the Tariff Board.

With reference to your request to Mr. Tarlton, we enclose a statement prepared by Messrs. Cammell Laird & Co., in connection with the proposed erection of plant for the United Steel Corporation of Asia Limited. These figures were prepared in England and we regret we cannot separate the details.

THE UNITED STEEL CORPORATION OF ASIA LIMITED.

One Blast Furnace Scheme.

	Erected at Home.	Freight Insurance and Landing Charges.	Import Duty.	Erected in India.	F. O. B.
		Rs.	Rs.		
Coke ovens	366,066	21,424	18,604	406,094	226,111
Blast furnace	363,617	30,533	15,393	409,543	265,700
Open hearth	518,193	93,310	38,356	649,859	343,436
Mills	1,238,841	1,43,448	50 967	1,433,256	1,061,492
Power station	451,816	37,876	15,825	505,517	407,360
Railways and Stock	255,701	15,986	10,542	282,229	235,527
Workshops	131,336	14,884	6,428	152,648	108,440
Water and hydraulic	147,956	11,141	4,018	163,211	67,171
General	70,217	372	301	70,794	41,317
	3,543,743	3,68,974	1,60,431	4,073,151	2,756,554

Contingencies 10 per cent. say 426,849 say £4,500,000 total.

N.B.—The above covers:—

1 Blast furnace.

70 Coke ovens.

1 Mixer and 5 60-ton Steel Furnaces.

Mills to cover all British Standard Sections and Sheets.

Necessary auxiliary plant.

CAMMELL LAIRD & COMPANY, LIMITED,

Managing Director.

Oral evidence of Mr. E. S. Tarlton, representing the United Steel Corporation of Asia, Limited, recorded at Calcutta on the 5th November 1923.

President.—You have come to-day mainly on behalf of the United Steel Corporation of Asia?

Mr. Tarlton.—Yes.

President.—In connection with the written statement which you have placed before us?

Mr. Tarlton.—Yes.

President.—Apart from that, there is certain information we should like to get on the subject of coal, and I understand that you may be able to help us, speaking on behalf of Messrs. Bird & Co.

Mr. Tarlton.—I will try to do so. May I, before discussing this paper, refer you to my note? I ask you not to accept the 5 per cent. tariff mentioned there as final, I wish to refer to it again either to-night or to-morrow.

President.—Yes, we will understand that, for the present, this 5 per cent. which you have mentioned is not necessarily your final opinion.

Mr. Tarlton.—Yes.

President.—You have told us in the written statement how the United Steel Corporation of Asia came to be established. I understand that a site has already been selected for the proposed works.

Mr. Tarlton.—We have options on three sites.

President.—Has any final decision been come to?

Mr. Tarlton.—No.

President.—Could you tell us where these sites are? It is of some interest to know whether you propose to establish yourself, like the Indian Iron and Steel Co., in the vicinity of the coal or, like the Tata Iron and Steel Co., in the vicinity of the iron ore.

Mr. Tarlton.—We are nearer the limestone and iron ore than we are to the coal, and the sites are within easy reach of the B. N. Ry. main line. I don't think it advisable to give out the site.

President.—That is quite sufficient for our purpose. You consider that it will be along the main line of the Bengal Nagpur Railway?

Mr. Tarlton.—Yes.

President.—Could you also give us the approximate distances from coal, iron ore and limestone?

Mr. Tarlton.—The distance from coal is approximately 170 miles and from the iron ore approximately 124—we hope to reduce the ore lead to something like 53. Limestone 50 miles.*

President.—The limestone is a matter in which we are anxious to get information as to the amount available in India within the easy reach of the coal and iron ore. Can you indicate roughly where this limestone is to be found?

Mr. Tarlton.—At Raipur.

President.—Are you satisfied that there is an ample supply of limestone of the proper quality?

* *Vide* Statement III (3).

Mr. Tarlton.—We have satisfied ourselves and our Technical Advisers that, as far as raw materials go, we have reserved for this concern sufficient supplies to last for a period of 100 years.

President.—Is the quality of the limestone good? Is it equal in quality to that used by manufacturers of iron in other parts of the world?

Mr. Tarlton.—The limestone which we have reserved for our furnaces is of excellent quality, and although there are better limestones to be found in European countries, for India it is very good.

President.—The matter is of some interest to us because the information we got from the Geological Survey was roughly to the effect that, while undoubtedly limestone exists in Chota Nagpur and the country round about, the best limestone was to be found in Assam, and they were not prepared to say that, in the vicinity of the iron ore and coal, limestone existed in large quantities of the proper quality.

Mr. Tarlton.—On the whole the Assam deposits are superior to the Chota Nagpur deposits, but we are in the fortunate position to be able to quarry and pick the stone required to give the best results. The areas we have leased also contain high grade dolomite.

President.—I think that the evidence we have had is that there is no lack of dolomite, but that there was a doubt about the limestone, and that was why I was asking you particularly about this.

Mr. Tarlton.—I am of course speaking for the United Steel Corporation of Asia, Limited, when I say we have sufficient high grade limestone and dolomite—we have here areas, these have been specially reserved for this scheme.

President.—Then, I take it that speaking generally the Corporation are fully satisfied as to the sufficiency of the raw materials for the production of steel and as to their being conveniently situated?

Mr. Tarlton.—Yes.

President.—So as to diminish the cost of production?

Mr. Tarlton.—Yes. Our Technical Advisers have visited the country and satisfied themselves on this point. These men are of high standing in the steel trade, and have returned to England satisfied with the raw materials; they are convinced there is room for the works that we are proposing, and further that there is a market for the materials we should produce.

President.—It comes to this. The Corporation, as you have already said in the written statement, are satisfied that, under the conditions that exist in India, it is perfectly possible for a prosperous steel manufacturing industry to grow up, subject to this that it will be necessary for Government to give some encouragement at the start.

Mr. Tarlton.—Yes, at the start.

President.—In the opinion of the Corporation or those whom you represent, it is worth while giving that encouragement?

Mr. Tarlton.—Yes.

President.—Supposing things were left as they are and that no protection in any form was given, do you think that other firms in addition to the Tata Iron and Steel Co. would enter on the manufacture of steel within the next 10 years?

Mr. Tarlton.—I will reply by saying if the investor was satisfied with a possible 5 per cent. return on capital The United Steel Corporation of Asia Ltd., might be floated to-day, but what is the true position. Government securities show a return of approximately 6 per cent. free of income tax, therefore it is impossible to expect the public to take an interest in a commercial undertaking showing a 5 per cent. return. Therefore all that we ask for is a small tariff, sufficient to induce the investor to come out and invest his money in an undertaking such as we hope to put on the market, for we firmly believe, with all the improvements that have been brought into

being in the steel manufacture during and since the war, we should make a great success of our Works. It is for Government to sum up the position and say whether, by increasing the import duty on steel, it will be to the benefit of the country to foster an undertaking such as this I have presented to you to-day.

President.—Then you consider that any extra protection that is required is mainly for this purpose, *i.e.*, to attract capital?

Mr. Tarlton.—Yes.

President.—Indian capital particularly?

Mr. Tarlton.—Yes.

President.—You have told us that, when the plants of the Corporation are completed, you expect to get an outturn of 450,000 tons of rolled steel a year.

Mr. Tarlton.—Yes.

President.—The capital expenditure that would be necessary to incur will be Rs. 20 crores?

Mr. Tarlton.—Yes.

President.—You have told us that it includes the purchase of the resources of raw material supplies, the development of mines and collieries, the construction of coke ovens, the erection of the town and provision of housing accommodation, the cost of the plant and its erection, electrical and water undertakings, offices and stores, railways, roads and bridges, working capital, freight, etc., and the promotion of associated undertakings. Take one of these items—the working capital. What is your estimate of the working capital required for this production of 450,000 tons of rolled steel?

Mr. Tarlton.—Something like Rs. 80 lakhs.

President.—Will that be sufficient working capital?

Mr. Tarlton.—That is working capital for the first stage, for the smaller outturn of 140,000 tons.

President.—Perhaps I had better put another question first You have told us that your intention is to put up one quarter of the complete undertaking in the first instance.

Mr. Tarlton.—Yes.

President.—Can you give us the outturn which you expect to get? Will it be only ¼th of the total outturn or something more than that?

Mr. Tarlton.—The outturn will be 140,000 tons

President.—Let us have in the first instance the working capital for the production of 140,000 tons of rolled steel.

Mr. Tarlton.—Rs. 78 lakhs.

President.—And then for the full outturn?

Mr. Tarlton.—Rs. 2½ crores.

President.—Now could you tell us how you arrived at these figures? I should like to explain that I am not really asking out of curiosity but because certain figures have been placed before us by the Tata Iron and Steel Co. It is of some importance to us to get other figures with which we could compare their figures. Can the amount required be estimated for instance on the basis that the manufacturer must carry the cost of production for two or three months before he is paid for his outturn?

Mr. Tarlton.—We are budgeting for carrying three months' supply of raw materials and three months' bills

President.—You consider from your experience as a business man that, on a basis of that kind, you can arrive at a sufficiently accurate estimate?

Mr. Tarlton.—I think that all bills should be paid within three months.

President.—It naturally would vary from one trade to another Obviously it must according to the process of manufacture.

Mr. Tarlton.—Quite. Taking the average payment of bills, we can, I think, safely take three months.

President.—That takes into account the length of process of manufacture and also the fact that you may have, under conditions as they are in India to-day, to carry stocks of coal owing to railway difficulties?

Mr. Tarlton.—We have taken all that into consideration.

President.—Then passing on now to another item: in that estimate of Rs. 20 crores, what is the sum you estimate would be required for associated undertakings?

Mr. Tarlton.—Rs. 2 crores. That, I might say, includes other contingencies of which I have not the details before me now.

President.—I am not quite sure that I understand what you mean. Do you mean as a sort of reserve or what?

Mr. Tarlton.—Partially, I have a note on what associated industries we are prepared to invest in to encourage the use of our steel.

President.—It is not that I want to go in any great detail but merely I want to understand the nature of the contingencies. Out of the Rs. 20 crores you propose to spend Rs. 2 crores rather in creating your market than in promoting the production?

Mr. Tarlton.—That is right.

President.—Then, the balance of Rs 15 crores is the expenditure that you consider will be necessary?

Mr. Tarlton.—Rs. 18 crores will be necessary.

President.—I have deducted Rs 2½ crores which is your working capital.

Mr. Tarlton.—I was not aware you had deducted the working capital.

President.—That is to say, your fixed capital expenditure on the works themselves, coal mines, ore mines, etc., will be Rs. 15½ crores.

Mr. Tarlton.—Rs. 15½ to 16 crores.

President.—Take your working capital first. I do not know whether you propose that it should be provided for either by Debentures or any form of share capital, or whether it would simply be borrowed from time to time on cash credits or temporary loans.

Mr. Tarlton.—The original idea was that we should market 1,960,000 shares of Rs. 100 each and issue as preference or ordinary as hereafter to be determined. It is impossible at this stage to say exactly what the market would be willing to accept.

President.—I will put my question more generally. Taking the whole sum of Rs. 20 crores, what will that cost you in interest charges you anticipate?

Mr. Tarlton.—I think that we should be quite safe in taking 6 per cent. as an average.

President.—As an average on the total?

Mr. Tarlton.—Yes.

President.—Could you explain a little how this average is arrived at? What I am thinking of is that you expect to pay your ordinary capital the rate of interest which in this country is required to attract the investor.

Mr. Tarlton.—You want to know what we really would pay on these preference shares?

President.—The point of view from which I am looking at it is this. If the Corporation is successful, and if the expectations are realised, as regards its preference shares or debentures, it will have to pay the rate of interest which the investor requires at present; and as regards the ordinary capital, it should earn a rate of interest that it is usually expected in industrial undertakings.

Mr. Tarlton.—Our original idea was that we might have been able to put up preference capital on 6 per cent. basis, but I am afraid as standing to-day, and specially in this country with jute preference as it is now, there is no possible chance of getting capital for anything under 7 per cent.

President.—Would there be a wide difference between debenture interest and the preference share interest?

Mr. Tarlton.—No. I do not think there could be.

President.—You take 7 per cent. all-round interest on capital raised that way to be somewhere near the mark

Mr. Tarlton.—I think it will not be on the high side for such investments.

President.—Out of Rs. 20 crores what proportion would probably have to be raised on 7 per cent. basis and what proportion would be raised on an ordinary share capital basis?

Mr. Tarlton.—Going back to the original idea we should have liked to have gone forward with 1,960,000—100 rupee preference shares and 8 lakhs of deferred (ordinary) shares.

President.—On that basis you would have a minute proportion of your capital in ordinary shares and all the rest preference.

Mr. Tarlton.—But since we took out these figures, the market has again changed, and if we are to go along with the scheme we shall have to be guided by what the market is prepared to pay.

President.—Are you prepared to express an opinion on what would be feasible under existing conditions in the market? I take it that you have got to have a larger proportion of ordinary capital as the market is less likely to take preference shares

Mr. Tarlton.—I think that the market is uninterested in steel at any price. I do not think it is possible to arrive at a figure until this Board has made their recommendation. That is our view of the position

President.—I am afraid in that case we cannot arrive at the answer to-day.

Mr. Tarlton.—We are really waiting to put forward our scheme until after the future tariffs are known. We cannot raise capital under those old conditions, and we are unable to go any further unless a protection is given. The return is not sufficient to put up a prospectus which will induce the public to come in. We do not want to commence with a show on paper figures: we want to be convinced that we can carry out what we start.

President.—One can say this much. At any rate the profit that you have got to pay on your 80 lakhs will be something higher than 7 per cent.

Mr. Tarlton.—Yes.

President.—Supposing you had started on the basis of ⅓rd ordinary shares and ⅔rds preference shares, do you regard 10 per cent. on ordinary shares as a satisfactory return?

Mr. Tarlton.—Yes.

President.—On that basis ⅓rd ordinary and ⅔rds preference shares raised at 7 per cent. the average would be 8 per cent. But I understand that; if you wanted to raise your capital now, you think you would not be able to raise it at 8 per cent. If an average of 8 per cent. is too low for the capital of 800 lakhs with which you are going to start, what do you consider to be a fair average?

Mr. Tarlton.—Again I think we should not take the average because the man who takes preference is not interested in ordinary. Therefore we will keep them separate. In these Rs. 8 crores that we want for our first unit we may have to pay 8 per cent. for preference, 7 per cent. might be possible, with regard to the return on ordinary capital during the first stage if we were able to show a return of 10 per cent. then we may induce people to invest, and if we were able to obtain 10 per cent. return on the first unit,

that means to say that we should certainly improve our position by another 2 per cent. when we had the whole mill going. I put 2 per cent. but it may be greater because certain plants are bound to take time to put in, and they would not be employed to its full capacity. Therefore the outlook on the whole scheme is much brighter than on the first unit, and we should make it perfectly clear in our prospectus.

President.—Yes. Your overhead charges must be higher on the first unit than on the rest. If you take 10 per cent. on the first Rs. 8 crores the average would be somewhere about 9 per cent. What I am really trying to get at is this: when we are attempting to assess the degree of protection required, we have to consider what will be a fair selling price for the Indian manufacturer, so that his enterprise will be a success. I want to go on to another item—overhead charges and depreciation. You have told us in the written statement that, in making your calculations, you have taken the rate of depreciation at $2\frac{1}{2}$ per cent. on buildings and 5 per cent. on machinery and plant, and on the basis of selling price of Rs. 150 per ton for rails you say you would get some profit. But the rates which were given by Tata as those accepted by the income-tax authorities were—

$2\frac{1}{2}$ per cent. on ordinary buildings;

5 per cent. on works buildings;

$7\frac{1}{2}$ per cent. on plant and machinery generally; and

10 per cent. on colliery machinery and plant.

These were the rates that they gave us as having been actually accepted by the income-tax authorities. I should like to have your opinion about that. Do you consider that the rate of $7\frac{1}{2}$ per cent. which is usually allowed on plant and machinery is excessive?

Mr. Tarlton.—No, but I am surprised at the figure that you give me, because the figures that we have taken here were more or less on the lines of what we were allowed by the income-tax assessment office, and we should certainly again change our figures. If Tatas' obtain these rates for their plant, I take it that we should look forward safely to working the same figures into the scheme that we put ourselves. As regards 10 per cent. on colliery machinery, it is high I think. It is only $7\frac{1}{2}$ per cent. that is allowed.

President.—We asked Sir Robert Smyth about that on Saturday, and he said that he regarded that as a reasonable rate, speaking on behalf of Turner Morrison & Co

Mr. Tarlton.—I should be surprised if it is more than $7\frac{1}{2}$ on electrical plant. I suppose you must be right but I shall get my figures over the telephone to confirm what we say.

President.—It is important to us from our point of view to know what the income-tax rates are. One assumes that they have a sanction behind them, and they would not have been allowed if they are not reasonable After all in the end it is a question of fact as to what is an appropriate rate of depreciation on various kinds of machinery.

Mr. Tarlton.—These figures have been taken out by our Consulting Engineer and, as you know, as regards our steel works we put repairs and renewals practically under revenues.

President.—In the case of steel works there is the question of the plant becoming obsolete to be taken into account. After 10 or 15 years, it may become difficult to operate old machinery at a profit. You may not be prepared to give a final answer now, but I think it is important to have your considered opinion on the question whether the 5 per cent. rate is an adequate allowance for depreciation on machinery taking all the facts into consideration.

Mr. Tarlton.—What we have done here is this: we have more or less worked this out on averages. We have to get the details of these valuations. They have given lump sum percentages so as not to complicate the figures.

Possibly we may have figures which show in greater detail the amount of depreciation they have taken. Here we have for instance shown one lump sum 5 per cent.

President.—We are prepared to take it on the basis of lump sums.

Mr. Tarlton.—Will you take these lump sum figures or would you like to have details. It is impossible for me to give you all the details now as to how the percentages have been arrived at.

President.—Can you give us what you estimate to be the total depreciation which you ought to write off each year?

Mr. Tarlton.—The depreciation taken out on these consolidated figures is as follows:—

First instalment £187,500, *i.e.*, about Rs. 28 lakhs on the Rs. 8 crores.

President.—What is it on the full scheme?

Mr. Tarlton.—Rs. 88 lakhs.

President.—There is one other item—overhead charges and management other than works management, financial management, Agent's commission and things of that kind. Then there is Technical Adviser's commission.

Mr. Tarlton.—I think it is 2½ per cent. on profits—there is office allowance, there is the payment to the Consulting Engineer on the Advisory Board of Purchase of plants and their technical advice.

Mr. Ginwala.—Is it on gross or net profit?

Mr. Tarlton.—I think it is net profit. I shall give you the exact figures afterwards.*

President.—All I wanted was some sort of round figure.

Mr. Tarlton.—But this is only a guess. I shall obtain the exact figure from my office and give it to you.

President.—May I take it that it would be in the neighbourhood of 20 lakhs on the whole scheme? Is that too high or somewhere near the figure?

Mr. Tarlton.—I think it is something like Rs. 12 lakhs.

President.—Is it your arrangement that a minimum commission is fixed for the Managing Agents and that anything above that minimum depends upon profits?

Mr. Tarlton.—The arrangement runs as follows, that they get a small office allowance, and a percentage of the profits It has to be earned before it can be paid.

President.—You have told us that the outturn you expect is 670,000 to 720,000 tons of pig iron and 450,000 tons of rolled steel. What do you expect on that basis will be the surplus amount of pig iron that you will be able to place on the market, apart from what you use for your own foundry purposes?

Mr. Tarlton.—12,000 tons of pig iron will be the surplus to be placed on the market.

President.—On the full outturn, as far as I can judge from your figures as compared with Tatas, I take it there is not likely to be a very large surplus of pig iron?

Mr. Tarlton.—No.

President.—Could it be 50,000 tons for the larger scheme?

Mr. Tarlton.—Yes.

President.—The point we have been leading up to all along is the question of the overhead charge and the interest per ton. Taking them in a broad way no doubt a certain proportion of them will go to the surplus pig iron and will also go to the by-products, but a very high percentage will have to be borne by the rolled steel. You have given us the figure of

*Vide Statement III (2).

Rs. 88 lakhs for depreciation. For interest and profit on capital, if the 2 crores which are going into associated undertakings, are deducted you have to pay interest on 18 crores. At 9 per cent. that would come to Rs. 162 lakhs. Then if Rs. 12 lakhs for Agents' commission and management and expenses of that kind is added, the total comes to Rs. 262 lakhs. Assuming for the moment that the whole of your overhead charges have to be borne by steel, that comes roughly on an average to Rs. 58 a ton.

Mr. Tarlton.—Are you taking the full output of steel or the first unit?

President.—The full output, that is 450,000 tons. On the first unit apparently it will be somewhat higher. I admit that from the Rs. 58 a ton something will have to be deducted for by-products and pig iron. I doubt whether it is possible to attempt a separate calculation for that.

Mr. Tarlton.—No. I think you can take these figures. The yield of tar and sulphate of ammonia will be 7,000 and 3,000 tons respectively.

President.—According to your calculation, if you make them for the full outturn, or if not, then for the first unit, what would your anticipated overhead charges including profits would amount to per ton?

Mr. Tarlton.—Taking coke at Rs. 15 a ton, the cost per ton of steel will be somewhere in the region of Rs. 125-6.

President.—I am afraid I have not quite followed you. What I am trying to get at for the moment is overhead charges apart from works cost.

Mr. Tarlton.—I am afraid I cannot give you other than those for rolling mills, materials, labour, working charges and depreciation.

President.—It is really easier to deal with the figures from our point of view, if the overhead charges can be separated from the works costs and only brought in at the last stage, but possibly you have prepared your figures on the basis of arriving at your overhead charges at each stage.

Mr. Tarlton.—Yes, our overhead charges are consolidated and shown in each stage.

President.—That makes a comparison a great deal more difficult.

Mr. Tarlton.—I am able to give you figures from raw materials stage on through to pig iron and from pig iron to steel.

President.—Your figures are for your first instalment on that basis?

Mr. Tarlton.—Yes.

President.—Can you give us the figure of what you expect the cost of production will be for steel rails per year?

Mr. Tarlton.—Do I understand you want to examine the whole of the details?

President.—All I want to know at the moment is what the total figure is and what it includes by way of overhead charges.

Mr. Tarlton.—Will these figures cover your point or do you want greater detail? (hands over a statement).

President.—Probably we shall not be able to give an answer before my colleagues also have examined the statement. You first of all give us the estimated cost of pig iron on an assumed cost of coke, then you include depreciation in these figures?

Mr. Tarlton.—Yes.

President.—Then you go on from pig iron to ingots?

Mr. Tarlton.—Yes.

President.—Then, may I take it, you begin with the charge for materials Rs. 39-11?

Mr. Tarlton.—Yes.

President.—That includes the depreciation that has already been included in the pig iron. What I mean to say is that taking the actual figures you start with pig iron at Rs. 35-7 a ton; at the next stage you go on to Rs. 39-11

a ton as cost of materials for making ingots and that figure of Rs. 39-11 is arrived at on the basis of the Rs. 35-7, so that when you charge depreciation on ingots that is only the amount of the depreciation estimated to be chargeable at that stage?

Mr. Tarlton.—Yes.

President.—The only disadvantage of this method from our point of view is that we cannot, on these figures, say what the total depreciation per ton of steel rails is.

Mr. Ginwala.—In this I take it you have included everything except your interest and the profits.

Mr. Tarlton.—No interest or profits.

President.—Have you included your overhead charges—I don't mean the works office section, I mean Head Office and commission?

Mr. Tarlton.—The Calcutta end: it is only a small allowance and that is included.

President.—So that you have left out interest or is it included—I mean interest on working capital?

Mr. Tarlton.—That is included.

President.—It does not appear anywhere?

Mr. Tarlton.—These figures have been consolidated from considerable details.

Mr. Ginwala.—What have you eliminated there? Suppose you have to quote for your steel, after having arrived at Rs 125 what more will you have to add to that?

Mr. Tarlton.—I don't think there will be anything to add to this, because anything we can make above that is a return, and therefore other charges will be taken from the difference between the selling price and the manufacturing price.

President.—These figures would be very useful to us, and we shall be glad if you would let us have them.

Mr. Tarlton.—Certainly.

President.—In going into the question of Tatas' accounts we find it very important also to approach the question from another point of view. They were able to give us their works cost for a series of years—works cost excluding interest on working capital, depreciation and Agents' commission and Bombay Office expenses. I do not know whether you would be able on similar lines to exclude these.

Mr. Tarlton.—I will advise you later if these figures include the allowance paid to the Managing Agents and the Technical Adviser, or whether they are works costs.

President.—In a comparison with the Tata Co's figures it would be very useful if we could get what you assume as your works costs of the steel rails, eliminating depreciation, interest on working capital, Agents' commission and Calcutta expenses and Technical Advisor's fees.

Mr. Tarlton.—Yes, we will give you that.

President.—It is from that point of view that I want to get the total sum which would have to be distributed by way of overhead charges.

Mr. Tarlton.—We will try to assist you here.

President.—There is one point of considerable interest to the Board and it is this. Your figures work out at 15¼ crores capital expenditure in order to produce 450,000 tons of rolled steel a year. How would these figures compare with the capitalization of similar firms in the United Kingdom? It has a very close bearing on the question of the possibility of steel manufacture establishing itself in India, because if owing to any reasons capitalization required in India is markedly higher than what would be required in England, that is *pro tanto* a handicap and the industry must suffer.

Mr. Tarlton.—I prefer to put this question to our Technical Adviso Since our estimates were taken out, the trade at Home has suffered a owing to the slump manufacturers may be willing to come down in price I think the best thing would be to cable Home.

Mr. Mather.—This capital of 20 crores which you refer to in this no is I believe identical with the capital that was mentioned in your fir announcement of the formation of your Company two years ago?

Mr. Tarlton.—Yes.

Mr. Mather.—The prices of steel plant and machinery have come dow considerably now, and therefore I wondered whether your idea when writin this letter was this: if this 20 crores was still the capital that you expecte to invest in this industry, you were expecting to build a plant for a bigge output.

Mr. Tarlton.—No. When these figures were originally taken, as ver often estimates are, they were much below the cost at that particular time We revised our estimates in 1921 and found the sum of 20 crores to be th figure required for the full amount. Since then there has been a slight fall this is all to the advantage of the steel works—we should not like to men tion any figure below the 20 crores.

Mr. Mather.—You still think that, as far as you can judge, the price now, 20 crores will be required to fulfil the programme which you mentio here?

Mr. Tarlton.—Yes, these are figures obtained from revised tenders an give us up-to-date prices.

Mr. Mather.—Prices in 1922?

Mr. Tarlton.—Yes.

Mr. Mather.—There is no reason to expect that there has been any substantial change?

Mr. Tarlton.—No, not in this particular class of work.

Mr. Mather.—But certainly it seems on the face of it that, if you have to spend 15½ crores on the plant and necessary mechanical equipment to produce 450,000 tons of rolled steel and, say, 100,000 tons of pig iron, your capital charges on saleable products will be very much higher than most of the plants in most other countries.

Mr. Tarlton.—Yes, they do appear high but you will remember the cost of raw materials is included, most of the Home concerns buying ore and coke.

Mr. Mather.—Most of the larger companies raise their own ore and coal either directly or through affiliated companies. But clearly, of course, as against that high capital cost per ton of saleable products you may have very low working cost owing to the fact that your labour will cost you less. We are not going to discuss that side of it in any detail, but taking the capital, which is easily comparable with the figures obtained from other countries, it does seem very high, and I wondered whether the 20 crores is the probable figure that you think you would have to face if you were going ahead with the scheme in the near future?

Mr. Tarlton.—I think we are on the right side. We should not like to go to the public with any figure under 20 crores.

Mr. Mather.—You feel that you will be well covered for fluctuations?

Mr. Tarlton.—Yes.

Mr. Mather.—You would not be surprised if you came out very well under that?

Mr. Tarlton.—No.

President.—It would be very useful if you could obtain for us that figure

Mr. Mather.—I think it could be ascertained at Home. I have not been able to lay my hands on the exact sort of information since the Tariff Board

started its work. *Do you think your people could find for us the capital invested in any new,* more or less similar kind of works in England or the United States during the last five years? You called for revised tenders so that, as far your own scheme is proposed, we must assume that this capital is approximately what you would really require, but from the point of view of the capital charges that your competitors may have, do you think your advisors at Home could find out what has been spent on new plants?

Mr. Tarlton.—They may possibly be able to give figures. What I understood from the President is this, that you want some idea of how we should fare if we went ahead with a scheme costing us 20 crores as against a scheme at Home or in any other country giving the same output. Is that the comparison you want?

President.—What it comes to is really this that, if the capitalization per ton of output is excessive here in India, to that extent India is at a disadvantage, and we are really trying to get at is some general sort of idea as to what is the amount of the disadvantage.

Mr. Tarlton.—That can be obtained from a Home concern with an output something on the basis of ours.

Mr. Mather.—Your people may be able to get that from firms who have built their plant only a few years before the war producing its own pig iron, steel ingots and rolled steel more or less as you do, and for a plant like Lysaght's at Samthorpe, which was built about 1911, which is a highly efficient plant, and it is not to be expected that you will have any very great advantage in technical efficiency over such a plant. As I say, I have not been able here to lay my hands on any such statement, but I think it is very probable that anybody at Home connected with these things can give that.

Mr. Tarlton.—We might cable and see if our Advisors at Home can obtain the information for us. I think they ought to be able to get it.

President.—You say "Indian labour, owing to the climate, enjoys permanent economic advantages over labour under more rigorous conditions, even when living at a relatively higher standard." I don't quite understand what is in your mind.

Mr. Tarlton.—For instance, it does not cost an Indian as much to live as it does a man at Home. It is unnecessary to clothe himself to the extent a workman does at Home. His mode of living is not as expensive. Therefore he does enjoy an economic advantage.

President.—As regards the wages of the individual labourer, yes; but whether the advantage is retained as regards the output of work per labourer or not is a more difficult question. Then, I think on another page you say "The pre-war capacity of India for absorption of iron and steel materials is indicated by a careful analysis of the position up to the outbreak of war to have been about 2¼ million tons a year." Could you tell me where you get this figure from?

Mr. Tarlton.—These figures were collected from the Customs Office and also from reports of local consumption in different parts of the country. The 2¼ million tons covers a great deal of steel we should not manufacture or attempt to manufacture at the present stage, such as boiler plates, bolts and nuts, ropes, etc.

President.—It is not only steel, but it must include iron also?

Mr. Tarlton.—Yes.

President.—Would it be possible for you to let us have your figures so that we might see how you had worked out.

Mr. Tarlton.—Yes.*

**Vide* Statement III (4).

Mr. Mather.—May I continue this question? I have myself been working at this. Making as reasonable estimates as possible, I cannot take the total imports of iron and steel into India in 1922-23 to be much over a million tons, of which I estimate about 900,000 tons to be steel. India cannot consume more steel than what it imports and what is manufactured in the country.

Mr. Tarlton.—Quite.

Mr. Mather.—The amount of steel manufactured in India in 1922-23 was not more than 120,000 tons, that is, on the top of importation of 900,000 tons. So, the consumption of steel cannot be much over a million tons, unless my estimates are extraordinarily far out.

Mr. Tarlton.—Have you in your calculations taken such things as bolts, nuts, wire ropes, pipes, etc.?

Mr. Mather.—I have taken in everything that is clearly described as steel. Then I estimate 11,000 tons of boilers—the total weight of 11,000 tons of locomotives, of which not much more than half would be steel and about 100,000 tons of machinery, where again probably half is cast iron. At any rate taking everything—pig iron, cast iron and steel,—I don't think that the total will be anywhere near 2½ million tons. I should be very surprised if I had omitted a million tons.

Mr. Tarlton.—We will submit our figures.*

President.—Have you considered what the effect would be on your estimated capital expenditure if the rate of import duty on steel were raised to 33⅓ per cent. as proposed by the Tata Iron and Steel Co.?

Mr. Tarlton.—Yes, we have considered that.

President.—On the basis that the higher tariff would not apply to any machinery which should not be made in India at present?

Mr. Tarlton.—This is a point I will refer to later on.

President.—I may say at once, as regards that, there is no proposal before the Board to tax at the higher rate machinery or steel of any kind which is not manufactured or about to be manufactured in India. The Tata Iron and Steel Co. have limited their request to what they were themselves equipped to manufacture and are manufacturing.

Mr. Tarlton.—The percentage increase that you mentioned now is one that cannot be lightly dealt with, and I would much rather not give you our view on that.

President.—I am not asking what your view is as regards the proposed increase, but how much it would cost you in the case of your works?

Mr. Tarlton.—I have not taken it out from the Corporation.

President.—It has not actually been taken out?

Mr. Tarlton.—Our Engineering Department referred to this in their written evidence submitted Friday last.

President.—Possibly it may have come into the office this morning. Anyhow it would not be of any interest for the moment. From the point of view of the United Steel Corporation of Asia, here is a proposal which seems likely to affect the construction of iron and steel works on a large scale. Well, it is a relevant point. What effect on the cost of the scheme would the higher duty have?

Mr. Tarlton.—I will submit these figures.

President.—Passing on now to the question of coal: is it the intention of the United Steel Corporation to get its coal from its own collieries or would it be dependent on outside coal?

Mr. Tarlton.—The Corporation would obtain its coal from its own collieries.

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* *Vide* **Statement III (8).**

President.—You say "The coal, which the Corporation have an option on, is almost unique inasmuch as half the principal seams of first class coal can be quarried for years." Does that apply to the coking coal?

Mr. Tarlton.—The scheme laid out for this Corporation and the method of coking is on the following lines, 50 per cent of the coal will be taken from the new Karanpura coalfields and 50 per cent. from the coking seams of the Jheria coalfields; by test we find we can make a better coking coal from this mixture. The mechanical properties of the coke obtained from this mix are greater than the coke obtained by using Jheria coal alone. The coal in the Karanpura coalfields might be assumed to be non-coking coal. It just fails to become a hard coke.

President.—Our information is that practically there is no coking coal in the Karanpura coalfields.

Mr. Tarlton.—That is partially correct, but I will explain we make a better coke from a mixture of 50 per cent. Karanpura and 50 per cent. Jheria than from pure Jheria.

Mr. Ginwala.—You have given us a very clear and helpful statement of the case but I should like you to supplement it by giving another more detailed statement which I shall presently ask for.

I take it that your Company was registered in 1921?

Mr. Tarlton.—Yes.

Mr. Ginwala.—Is there any objection to my seeing the Articles of Association and the Memorandum?*

Mr. Tarlton.—None whatsoever

Mr. Ginwala.—Did you come to the prospectus stage?

Mr. Tarlton.—Yes, we prepared the prospectus but did not publish it; due to a dull market it was impossible to float a steel concern. Messrs. Cammell Laird & Co. and ourselves have financed the concern for proceeding with all the preliminary developments.

Mr. Ginwala.—I take it that you had all the figures necessary to prepare the prospectus if it became necessary?

Mr. Tarlton.—We had then, but I repeat that these figures would not be suitable to put before the market. Therefore we did not publish our prospectus.

Mr. Ginwala.—In this estimated works cost, have you taken the figures of 1921 or what?

Mr. Tarlton.—Do you refer to works costs only or costs of raw materials? These were all taken out in 1921.

Mr. Ginwala.—I suppose you have worked them out in greater details?

Mr. Tarlton.—We have.

Mr. Ginwala.—I should like to get figures on these lines. Take the total capital cost, feeding materials, flux, labour, refractories, etc.

Mr. Tarlton.—You have a great deal of that in the statement of works cost now before you.

Mr. Ginwala.—It lumps the whole thing. It is rather difficult to follow.

Mr. Tarlton.—Would you write against those items how you would like them split up?

Mr. Ginwala.—More details are necessary. (Here the President handed the witness a printed statement showing the detailed figures supplied by the Tata Iron and Steel Co.)

Mr. Tarlton.—I am afraid we could not give you as much details from this side. I should have to get them from our Technical Advisers. I am afraid we cannot give you so much detail.

Mr. Ginwala.—These are only your estimates.

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*Not printed.

Mr. Tarlton.—Yes, as against the actual figures of Tatas.

Mr. Ginwala.—I find a good deal of divergence between your figures and the actual figures of Tatas. It is possible that you have based your estimates on Tatas which may require very careful consideration.

Mr. Tarlton.—There is bound to be. You have here a concern which is wanting to go ahead with the latest type of plant with all the war improvements, therefore costs are bound to differ and in some cases rather considerably.

Mr. Ginwala.—If you could give us figures on the lines adopted by Tatas, it would be of great help.

Mr. Tarlton.—We will go as far as ever we can.

Mr. Ginwala.—In your labour for instance, you have taken an uniform rate whether the price of coal is Rs. 9-15 or Rs. 20.

Mr. Tarlton.—How will this affect the labour position?

Mr. Ginwala.—The labour will have a cumulative effect. For instance, if the price of coke rises from Rs. 8 to Rs. 15, then labour will come in as an element.

Mr. Tarlton.—Not so much in this particular case. I have already said in connection with coke that 50 per cent. of the coal would be from Karanpura fields which means to say that, few mines being engaged in mining coal, the coal would be dug out by mechanical appliances. In the other case, *i.e.*, in the Jheria field, it is not our intention to adopt the old method of mining. At the present time we are developing a scheme whereby we cut and load coal mechanically.

Mr. Ginwala.—There are certain big items which are getting bigger and bigger such as relining of the hearth, etc. You have Tatas' figures given in that statement. We would like to know what your views are.

Mr. Tarlton.—As regards relining, they have increased during the last few years. I am not altogether sure, refractories have touched the limits as regards the purchasing price.

Mr. Ginwala.—They form a substantial proportion of the Tatas' costs.

Mr. Tarlton.—Quite a substantial portion, but I understood you to say that this item was constantly increasing.

Mr. Ginwala.—I don't know whether it is going to increase. It has certainly increased from 1916-17.

Mr. Tarlton.—It certainly has. It has simply followed the general run of all other materials.

Mr. Ginwala.—Take your cost of ingots. You have put down Rs. 24 as working charges That must include overhead charges.

Mr. Tarlton.—Yes.

Mr. Ginwala.—It seems to me that these working charges may require more careful revision.

Mr. Tarlton.—We will go as far as ever we can in assisting you to obtain the figures you require.

Mr. Ginwala.—You will also give us figures for your coke, pig, ingots, blooms and rails?

Mr. Tarlton.—Yes.*

Mr. Ginwala.—In the same way as Tatas have given. Also bring them up to date.

Mr. Tarlton.—Yes.

Mr. Ginwala.—With regard to depreciation, you have taken 5 per cent. as the depreciation but we have examined several witnesses and the general

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**Vide* Statement III (6).

opinion has been that 7½ per cent. is the least that any business man would care to recommend on machinery.

Mr. Tarlton.—Until I have further information on this point I am afraid I cannot help you much more. It is possible our Advisers have taken an average, *i.e.*, railway sidings, buildings, etc., and they have lumped these together and divided into (*a*) and (*b*). I don't ask you to accept that as a final statement, this is a point I shall have to put up to them.

President.—As a matter of fact, the total depreciation that you have given is Rs. 88 lakhs, and your total capital expenditure is Rs. 15½ crores. So it comes to more than 5 per cent. already. It does not look as if the 5 per cent. is really the rate which they have allowed.

Mr. Ginwala.—I simply wanted to draw your attention to this. It might or might not be an under-estimate of the amount of depreciation.

Mr. Tarlton.—I repeat what I said to the Chairman that, without getting further information from the other side as to how these figures have been made up, I am afraid I cannot assist you any further to-day.

Mr. Ginwala.—Tatas' practice has been 7½ per cent. on plant and machinery and other witnesses also have said that in their business they usually allow that percentage.

Mr. Tarlton.—But is it not customary in the steel world to cut down depreciation during hard times?

Mr. Ginwala.—But they would work up to that on an average?

Mr. Tarlton.—Yes.

Mr. Ginwala.—Would you mind telling us also, in the first issue of yours of Rs. 8 crores how much would you spend on collieries, ore mines, etc.? You must take the steel works and the auxiliary works separately.

Mr. Tarlton.—What we should do with Rs. 8 crores is to develop the mines fully. What we don't consume ourselves we shall put on to the market.

Mr. Ginwala.—You will then be able to say what your outturn is on this investment.

Mr. Tarlton.—We can take it that our collieries will cost us something like half a crore.

Mr. Ginwala.—These are Tatas' Balance Sheets. You have got here liabilities and assets in the case of the collieries. If you have got any purchase price for collieries you will show it separately under equipment. Can you give us the figures in this form?

Mr. Tarlton.—Would you like the same thing for iron ore?

Mr. Ginwala.—Yes. May I take your statement that you have a supply for the next 100 years as applying to all these items, coal, ore and flux?

Mr. Tarlton.—Yes.

Mr. Ginwala.—You have control of these areas?

Mr. Tarlton.—Yes.

Mr. Ginwala.—May I take it that most of these materials are within, say, 170 miles of your works?

Mr. Tarlton.—I will give you the exact distances later.*

Mr. Ginwala.—Then, as regards capital, I think in the end your position may be summarised as follows: so far as your first unit is concerned—(Rs. 8 crores) the shareholders may have the prospect of 8 per cent. dividend and when you have raised your nexa capital you may be able to effect a saving of a couple per cent.

Mr. Tarlton.—Our idea of working up these steel works is on the following lines. We should, immediately we float the Company, develop and sell coal which will give us a certain amount of revenue and profit which would

* *Vide* Statement III (3).

go a long way towards meeting interest charges. From there we should advance to the pig iron part of the scheme creating further revenue while we are working on to steel. So there would not be that big lapse between starting up the works and the works' functioning.

Mr. Ginwala.—Supposing you start to construct your works immediately, how long will it take before you can work up to your full capacity?

Mr. Tarlton.—I should say five years.

Mr. Ginwala.—I take it that, in calculating eventually the profit that you will expect to make, you would allow for the time that is taken, and supposing your collieries do not pay, would you add the interest charges during the period?

Mr. Tarlton.—We believe the Corporation have the option of such an excellent area that, if it was impossible to work this colliery at a profit, it would be impossible to work any coal mine in India at a profit.

Mr. Ginwala.—That is in your case. Take the ordinary case. You start a business and you are not making anything. Then in deciding your total capital would not you add, ordinarily speaking, the interest that would accrue?

President.—Is there any provision for including that in the 15¼ crores · I mean generally?

Mr. Tarlton.—Yes. That has been taken into consideration.

Mr. Ginwala.—I think you stated, in dealing with the question of the market, that you expect to make long-term contracts for the disposal of your products; that is to say, you would do it at a fixed price?

Mr. Tarlton.—Our idea at the time, that is, before this tariff question came up, was to fix the price on the European market rates. We should use a sliding scale according to the cost of the material as purchased or delivered in this country.

Mr. Ginwala.—I understand that, but do you think that in this country people are sufficiently advanced to enter into such contracts?

Mr. Tarlton.—Take the biggest buyers. They are men who do know the markets of the world and no doubt would be prepared to work on those lines rather than have a fixed rate. Take, for instance, a Government contract for rails over a period of time. They might at one time have to buy at the top of the market and at another, as to-day, at the bottom of the market. The proposal I make seems to be fair from the manufacturer's point of view and fair from the buyer's point of view. Don't you think that it is possible?

Mr. Ginwala.—My own experience is that it is very difficult to get people to agree to that unless they are consumers on a large scale.

Mr. Tarlton.—In my instance the consumer is Government who are purchasing rails. They have their forward programme made out possibly for three or five years, and we think that in this case it would be quite reasonable to expect that they would enter into contracts on a sliding scale based on the European cost of production, that is, on what the material could be placed in this country for *plus* the tariff wall.

Mr. Ginwala.—As a matter of fact Government, so far as Tatas are concerned, more or less fixed the prices which they have subsequently revised on Tatas' representation, but in other cases, don't you think there is this risk? If there is dumping of foreign goods in this country will you take the c.i.f. price *plus* 10 shillings a ton?

Mr. Tarlton.—Against that you have got to take the tariff into consideration.

Mr. Ginwala.—Do you wish to make any proposal to the Board to make recommendations to meet dumping?

Mr. Tarlton.—I think that this Board should look at the protection of steel from two different points of view: one is that this is a large country and it is in the centre of many open waters and open to attack. It is for

Government to say whether they are prepared to pay a certain figure for the steel to be made in this country which would give them steel to convert into munitions of war. Secondly, we know that this country is very rich indeed in iron ore. I do not suppose that any finer ore can be found in any part of the world than that found in Bihar and Orissa. It means from Government's point of view that, if this ore is developed, and turned into steel (I am taking the case of the Company I am representing to-day), there is employment found, and trade made, which means the handling of not less than 5 million tons of material a year. Government can from that figure take out what it means to the country in the shape of revenue, *i.e.*, taxation, cesses, freights, etc., and possibly you could arrange to work out a tariff that will make it possible for the steel works to go on, and the present steel works to continue without increasing the burden of taxation to the people. I think these are the lines on which iron and steel should be developed.

Mr. Ginwala.—The point on which I want your opinion is this: Assuming that this Board recommend protection to the steel industry, it can determine its amount by the ordinary import price from Great Britain and America or the mean of the two. Supposing Germany releases its steel or any other Continental country is able to dump steel into this country so that they are able to undersell you, say, by £2—in that case would you recommend that Government ought to have the power to rectify that difference?

Mr. Tarlton.—I certainly think that Government should give protection against dumping.

President.—May we know just what you mean by dumping? I think it is a very difficult question.

Mr. Tarlton.—Take Germany for instance. Before the war they manufactured a certain quantity of steel. We will put it at, say, 1 million tons—for purposes of a debatable figure. That million tons will cost them £5 a ton. If they put forward another ¼ million tons they would then be able to put that steel on the market which gave them a handsome profit on what they sold locally and bring down their costs by dumping their surplus in another country. The industry should be protected against such action taken by any foreign power

Mr. Ginwala.—That is to say, you mean roughly this, that if they sell their goods abroad at a price lower than that in their own country, you call that dumping, and to that extent you suggest that India should be protected?

Mr. Tarlton.—Yes.

Mr. Ginwala.—I think you suggest that, if steel gets protection, in that case other industries that use steel should get additional protection?

Mr. Tarlton.—Yes, industries working steel or iron into plant and machinery should be protected.

Mr. Ginwala.—There are a large number of these industries. We will take an industry like the Engineering industry which manufactures structural materials. We have had evidence before us directed to show that, apart from the cost of the raw material, which they say should be released from the duty if possible, they are unable to compete against the foreign structural material imported into this country partially or fully fabricated.

Mr. Tarlton.—You mean by this that these industries put forward a case that, if the raw material was allowed to come in free, they could not even then compete with the Home manufacturer.

Mr. Ginwala.—Their point is this that, apart from the question of raw material, the fabricated material that comes into this country should be taxed. Take a bridge, for instance; they say they cannot compete with the foreign manufacturer. If we were satisfied that it was so, would you be in

favour of the Board recommending protection to structural steel material in this country?

Mr. Tarlton.—Before I reply to that, can you tell me where the money is lost or where the difference comes in that they are unable to compete with imported fabricated material?

Mr. Ginwala.—It is very difficult for me to say how that happens. Either they are unable to get their raw material at the same price as the manufacturer of fabricated material is able to get at Home. That is one reason given Secondly, they say that the capital is locked up for a much longer time in this country between the importation of the raw material and the payment of the fabricated article; and thirdly, of course, they say that the labour and other things cost a little more here. In that way they are not able to quote against the foreign manufacturers of structural material • That was the evidence put before us by very important Engineering firms

Mr. Tarlton.—My reply to that question is possibly indirect, but I do believe that, if steel and machinery that could be manufactured in this country were further protected, Engineering works would have quite a fair share of the trade.

Mr. Ginwala.—That is to say, you would release their raw material from taxation to enable them to compete?

Mr. Tarlton.—I do not see how you are going to release the whole of the raw material from taxation, there is already a 10 per cent. on raw steel I say in my written statement the system of tariff to-day in my opinion is wrong and harmful to the country.

Mr. Ginwala.—We are trying to find a solution.

President.—You must draw a distinction between machinery and fabricated material. Machinery bears a duty of 2½ per cent. Take a bridge for instance which is fabricated.

Mr. Mather.—There is a higher duty per ton: therefore fabricated steel gets a few rupees more protection.

Mr. Ginwala.—Even so, their case is that that does not give them sufficient protection to compete against the foreign structural steel.

Mr. Tarlton.—We must take a broad view of these tariffs In viewing the position of many of the concerns we are interested in, we do not wish to see unnecessary tariffs put on. All that we want to do is to increase the trade of this country and give a reasonable return on capital invested.

Mr. Ginwala.—Apart from the question of figures, supposing steel was protected would you agree that, if the structural fabricated material in this country cannot compete with the foreign material, that ought to be protected?

Mr. Tarlton.—Yes, I think this country should be protected while the steel trade is in its infancy, provided steel works are built up and financed on a sound basis.

Mr. Ginwala.—Suppose we are satisfied as to these conditions, would you be in favour of protection?

Mr. Tarlton.—I would agree to the point that raw material, whether it is produced in this country or brought from Home, should be worked up with Indian labour. Up to that point I would support a small protection.

Mr. Ginwala.—On this question of machinery, is it your view that any kind of machinery that is manufactured in India ought to be protected?

Mr. Tarlton.—Yes.

Mr. Ginwala.—But how will it affect the industrial condition of the country, this taxation of machinery?

Mr. Tarlton.—The view I take is: leaving aside the question of cost I don't think there is a great difference between a plant that is manufactured in this country and a plant coming out from Home. What you have to look at is: there are the people at Home with considerable experience in build-

ing this particular bit of machinery, and on equal terms (and possibly even with an addition of 5 per cent.) people would place their orders with the Home manufacturer. I know of one or two cases out here where a plant does compete in design and workmanship against the Home article, but the imported machine comes in on the 2½ per cent. and the manufacturer's price is a little too high and he loses that order. It means that you must go back again to the economic position from the country's point of view. If a purchaser has to pay, say, 5 per cent. more for a particular article, the problem has to be worked out on the percentage basis, that is, whether the gain to the country from the taxation imposed on those articles compensates for the additional amount that the purchaser will have to pay for the article bought, say, from Europe. I think that is where the economic problem enters into this tariff.

Mr. Ginwala.—Does not that argument apply to all locally-manufactured articles, that even quality and everything else being the same the Indian article has to sell for less in most cases?

Mr. Tarlton.—In some cases, but there are certain things in which this is not so, *i.e.*, bits of plant and other structural work which is manufactured in the country. Whatever protection is given I should not imagine that they would be able to compete with the Home supplies, because the market is not big enough to take off sufficient quantities to meet overhead charges which on special work is rather high because they have to pay for European control and also for men who have had special training in that particular work.

Mr. Ginwala.—One of the difficulties we have here is that we do not really know how much machinery is manufactured in this country. Can you give us any information upon this point?

Mr. Tarlton.—I should think that the Engineering Association ought to be able to give you this.

Mr. Ginwala.—We have asked them for a statement, but the difficulty is that we are unable to identify the kind of machinery that is manufactured in this country and is also imported.

Mr. Tarlton.—Couldn't the Engineering Association give you these figures?

President.—We have asked them for that; what we have heard of are jute machinery, machinery for tea gardens and a certain amount of colliery machinery.

Mr. Mather.—The Engineering Association gave us a detailed list showing Engineering stores and other articles made in this country, or imported into it, showing which firms make them in this country and which firms import them.

Mr. Tarlton.—As regards the jute machinery, we do know that most of this can be manufactured in the country. We do know that, apart from electrical plant, practically all colliery machinery can be manufactured here.

Mr. Mather.—Can coal-cutting machinery be manufactured in this country?

Mr. Tarlton.—No. I put that under electrical machinery, and this is a small item in the colliery plant.

Mr. Ginwala.—An argument has been advanced that, if you put any tax on steel—on colliery machinery for instance—it would send up the price of coal and affect all industries. Do you think it a sound argument?

Mr. Tarlton.—No; I don't think that a reasonable tax on colliery machinery would put up the price of coal.

Mr. Ginwala.—It may, but perhaps not to an extent at which it would embarrass an industry?

Mr. Tarlton.—No. I may add that if steel was protected and we were able to go ahead with the scheme that I have placed before you this morning,

we should not put up the cost of coal raising but should decrease it. The amount of coal required means that India must produce more coal which must have a tendency to bring down the overhead cost and thereby reduce the cost to the country.

Mr. Ginwala.—Will that also apply to railway freight for instance?

Mr. Tarlton.—Yes. The Railways complain that the price of coal has a great deal to do with high freights which we colliery people do not agree with.

Mr. Ginwala.—With regard to the amount of protection you have said you are going to revise your figure, but I am putting a general question. Supposing the price of steel for the time being went up Rs. 10 or Rs. 15 a ton, would it affect the demand?

Mr. Tarlton.—No, because I think the figure I shall be putting before you is a 10 per cent. increase.

Mr. Ginwala.—The point is that we have received representations from people who consider themselves as consumers that, if the duty was increased at all, it would so burden industries that the industrial development of this country would be retarded. Do you think it would have such an effect?

Mr. Tarlton.—My view is that any increased tariff protecting one steel works would be a mistake, because that steel concern would have no internal competition, and apart from the suggestion made this morning I think it is essential that this country should have internal competition, otherwise how can any Board or any other body really get at a reliable manufacturing cost?

Mr. Ginwala.—Your argument comes to this that, even supposing that there was this additional burden on the consumer of steel, it would be worthwhile in order that there should be more steel produced in the country.

Mr. Tarlton.—I don't think that is quite right. The point is that the revenue obtained by Government from the steel works which are operating now in India cannot be sufficiently increased to balance the loss to the country by additional tariffs without one or two or more works functioning. The revenue paid then by these concerns would balance on the right side from the tax-payers' point of view. My point is, if a tariff is carefully dealt with, you might be able to find ways and means of increasing it without adding a burden to the industries that are operating.

Mr. Ginwala.—You mean any additional taxation will not necessarily be an ultimate burden on the tax-payer?

Mr. Tarlton.—Yes, providing we are able to develop the rich mineral wealth in Bihar and Orissa. In my note I drew your attention to the method of taxation and said that it should be possible to balance an import duty on any increased revenues from developments.

Mr. Ginwala.—Now with regard to the general position of the industry with regard to labour, are you confident that you would get your labour in abundance for your steel works?

Mr. Tarlton.—As far as I can see, labour is always a difficulty, but I think that for the number of people that we should want for our works we should have no difficulty in getting it.

Mr. Ginwala.—You think you will be able to train it sufficiently well for your purposes within a reasonable time?

Mr. Tarlton.—I am not sure about the technical side of the steel works, but I do think that after a period of time Indians ought to be able to go a long way in the steel trade, though to say that Indians will be able to manufacture steel is difficult. After all, steel-makers are men who were born in the furnace so to speak.

Mr. Ginwala.—Except the labour for technical work, you hope to be able to obtain sufficient labour?

Mr. Tarlton.—Yes.

Mr. Ginwala.—You have stated that you would have some representation of Indians on your Board; do you expect to get Indian money?

Mr. Tarlton.—We should like to get Indian money.

Mr. Ginwala.—You will put them on the Board of Directors?

Mr. Tarlton.—Yes.

Mr. Ginwala.—Is it your idea to raise the amount of your capital in this country?

Mr. Tarlton.—We should like to raise the capital in this country, but as you know it is very difficult to say whether we shall or not. The opportunity offers itself to India and I should certainly like to make this an Indian flotation.

Mr. Kale.—On the first page of your statement referring to the essence of success of an iron and steel industry, you speak of an alliance between the controllers of raw materials and the mining and steel interests. Do you think it is absolutely indispensable that there should be this association?

Mr. Tarlton.—It is absolutely indispensable.

Mr. Kale.—Do you know that there has been no such association in the case of the Tata Company?

Mr. Tarlton.—Yes.

Mr. Kale.—Do you attribute their difficulties to this lack of association?

Mr. Tarlton.—I would much rather leave that unanswered.

Mr. Kale.—You attach a good deal of importance to this association?

Mr. Tarlton.—We would not consider a flotation of this description unless we had at the back of us expert technical advice.

Mr. Kale.—Your third condition is the co-operation of an Indian financial and distributing group. What is the distributing group you had in your mind?

Mr. Tarlton.—The distributing group would be Indians who have influence in the Bazar and other trades all over the land.

Mr. Kale.—Later on you say "The Directors of our Corporation consider that the factors which made it possible for these changes of position to take place are present in India to-day," and you refer to a number of items. I do not find among these items the item of protection which according to many people was largely responsible for the success of the steel industry in Germany and the United States.

Mr. Tarlton.—Can we finally look upon the German method as a success, do we accept the idea with which Germany built up her association?

Mr. Kale.—But you cannot say the same thing about the United States?

Mr. Tarlton.—The United States are so situated and require such enormous quantities of steel that their total output for many years was wholly consumed in that country.

Mr. Kale.—Similarly the Indian output will be consumed in this country?

Mr. Tarlton.—For a few years. But against that why should we look upon India as only manufacturing for her own consumption? After all two or three works built on the line of the Tata Company and the United Steel Corporation of Asia should more than supply India for many years to come. If the iron ore and other minerals are going to be fully developed, we must look for export trade.

Mr. Kale.—You do not agree with those who hold the view that the policy of protective tariffs is one of the factors which built up the steel trade in the United States?

Mr. Tarlton.—Well, as I said, America has developed on the lines of tariffs in one direction, the British Empire has developed her trade from the point of view of free trade. Against this, India has only during the last few years realized that she has got all this wealth, and the average labourer of this country has not had sufficient training; India cannot at the present

time look after herself, and therefore you must give her some protection in the infant stage.

Mr. Kale.—So that to that extent you think that the American precedent applies to the case of India, namely, that in the earlier stage such protection is necessary for the steel industry?

Mr. Tarlton.—I do not see how you can compare conditions in America with the conditions in India. But I will answer the last part of your question by saying that India must have a small protection in her infancy to get this particular trade established. Once it is established, as I hope it will be within a few years, we should develop on such lines that a tariff would be unnecessary; but in the early stage a tariff is required.

Mr. Kale.—There is another question I want to ask and it is about the efficiency of Indian labour. Some people hold the view that although Indian labour is cheap, from the point of view of efficiency it is dear. What do you think?

Mr. Tarlton.—Indian labour is not efficient, but I do think that in the case of these new works, we can budget to put in plant that will greatly counterbalance the inefficiency of Indian labour on the lighter side of steel. By means of suitable adjustment of machinery I think the efficiency of the men may be brought to the highest limit.

Mr. Kale.—But you are not referring to the highest technical efficiency?

Mr. Tarlton.—No, only from the labour point of view.

Mr. Kale.—In your particular case you are fortunate in having the advantage of Messrs. Cammell, Laird & Co. who will supply you with the necessary trained staff. That will be your special advantage?

Mr. Tarlton.—They have been gaining experience in the steel trade for many a long day and have adopted the latest methods. They will ensure a continuity of supply of technical staff.

Mr. Kale.—Do you think 8 crores is the minimum that is necessary for the success of steel work in India?

Mr. Tarlton.—Yes, this would be for our first unit. We would like to budget for the whole unit, but we are afraid we would not at present obtain enough support for anything more than the first unit, which could be put up for 8 crores. It is more expensive to run the 8 crores scheme than the full scheme.

Mr. Kale.—A smaller scheme would not do?

Mr. Tarlton.—No. This is the smallest unit we can possibly put in.

Mr. Kale.—So that a smaller unit would not be a profitable proposition?

Mr. Tarlton.—You could not put in a smaller unit.

Mr. Ginwala.—Does the price of Rs. 150 you have mentioned here include profit and everything? Is it your selling price?

Mr. Tarlton.—That is the figure fixed as the basis.

Mr. Kale.—If there was any protection at all, it would be on this basis of Rs. 150 on steel rails?

Mr. Tarlton.—Yes.

Mr. Kale.—That, you think, will be sufficient to enable you to compete with foreign production?

Mr. Tarlton.—Yes.

President.—May I just put it this way: with a selling price of Rs. 150 you make a certain profit, but not a profit sufficient, as far as you can judge, to pay an average of 10 per cent.?

Mr. Tarlton.—That is right.

Mr. Kale.—That is not sufficient to enable you to extend your work and make the scheme attractive to the public?

Mr. Tarlton.—No, I don't think that the public would invest in steel in India unless they can get 10 per cent. on their capital.

Mr. Kale.—From your statement it appears that if the works has no control of coal and ore it would not be possible to run it with success.

Mr. Tarlton.—We think we would be on a very dangerous ground if we attempted to float a steel concern without having the raw materials.

Mr. Kale.—Is it a question only of steadiness of supply, or is it also a question of price at which raw materials are purchased?

Mr. Tarlton.—It is more a question of price.

Mr. Kale.—And it is less a question of ensuring the proper quantity?

Mr. Tarlton.—That is also another factor, but the most important thing is to obtain the raw materials at the very cheapest possible rate.

Mr. Kale.—You are not at the mercy of other people?

Mr. Tarlton.—No.

Mr. Kale.—What are the associated industries that you speak of? You name a few here, but are there any other industries that you have in mind?

Mr. Tarlton.—I have not given any particular associated industry because it is very difficult at the moment to say whether we should go ahead with the schemes that we originally thought of. Some of the chief industries are, Plates, Tubes, Ropes, Bye-Products and Electrical Plant.

Mr. Kale.—Do you think that these subsidiary industries are essential for the success of your steel works?

Mr. Tarlton.—I don't think that they are vital, but what one would like to see is certain industries coming forward in this country built up in a small way and gradually developed. Our idea is not to start on a large scale, but to try and create a market in which you can sell your output without any difficulty and, as that develops, to go on increasing the other associated companies.

Mr. Mather.—At one stage you have told us that you contemplate putting up four 500-ton per diem blast furnaces and sixteen 60-ton open hearth steel furnaces. Can you tell us whether Messrs. Cammell, Laird and Co. are making basic steel?

Mr. Tarlton.—No, I am not able to give you details.

Mr. Mather.—I know that they make only acid steel at Sheffield and they make a large quantity of acid steel at their new works at Penistone, but I am not sure at the moment about basic steel there. I have not had time to look that up. With regard to your associated firm in England, you give a list of their works. The great bulk of the work done by the firm at the works you mention is not closely similar to what I imagine your work will be in this country?

Mr. Tarlton.—No, but their interests in Yorkshire and other places bring them into contact with the world's markets and efficiency. Although Messrs. Cammell, Laird & Co., as you say, are not directly responsible for any works such as these that are suggested, their interests in the steel trade are so great that they are well able to give us the best of advice.

Mr. Mather.—I think I am fairly certain at these works there are no blast furnaces.

Mr. Tarlton.—No.

Mr. Mather.—Perhaps you will be able to tell me this. At one time Cammell, Lairds had blast furnaces in their steel works in Cumberland. Have they still these works?

Mr. Tarlton.—No.

Mr. Mather.—So that they have not got a blast furnace staff?

Mr. Tarlton.—No.

Mr. Mather.—I take it that the kind of steel that you intend to manufacture is the kind that is required in large quantities, structural sections, rolled plates, sheets, bars and so on?

Mr. Tarlton.—That is so.

Mr. Mather.—That is really a different kind of trade from what Cammell, Laird's are at present concerned with.

Mr. Tarlton.—I believe I am correct in saying they begin with the purchase of ingots, from this point on the process of manufacture is carried on from rolling to the completion of a battleship. This will demonstrate to you the enormous amount of ground Cammell, Laird & Co. cover.

Mr. Mather.—No, they do make their own steel ingots. You have told us earlier in the day that your limestone is to be found in or near Raipur. Is it beyond Bilaspur?

Mr. Tarlton.—Very much this side.

Mr. Mather.—Would you mind telling us where your ore deposits are?

Mr. Tarlton.—Our ore deposits are in Keonjhar.

Mr. Mather.—Can you tell me whether you intend using limestone as a flux in the blast furnace?

Mr. Tarlton.—Yes.

Mr. Mather.—I take it that the information you have given us is that the limestone is more or less in uneven deposits, and that you would pick the best quality from the limestone quarries for the open hearth furnaces.

Mr. Tarlton.—Yes.

Mr. Mather.—Then as regards coal, some of your coal is in the Karanpura fields and the rest in Jheria?

Mr. Tarlton.—Yes.

Mr. Mather.—You expect to get coke from the mixture, of very good quality, quite hard and strong?

Mr. Tarlton.—Yes.

Mr. Mather.—Can you tell me roughly the percentage of ash it would contain? Will it be more than the percentage of ash contained in the Jheria coal?

Mr. Tarlton.—The percentage will be that of a first class coal.

Mr. Mather.—You expect to get 75 per cent. of coke from your coal?

Mr. Tarlton.—Yes.

Mr. Mather.—As far as your coking coal is concerned, you have made it quite clear that you are well supplied. Have you ample supplies of steam or gas coal?

Mr. Tarlton.—Yes.

Mr. Mather.—You say, on page 2 of your written statement, "it is estimated that over 75 per cent. of the cost of a ton steel is represented by wages in one form or another." Is that your own estimate?

Mr. Tarlton.—No, that of our Technical Advisers.

Mr. Mather.—It is quite possible, in a way it is correct, taking your labour in the production of coal and so on. Even then I doubt that it would come to quite as much as 75 per cent. Don't you think, it might possibly give, shall we say, a careless reader an impression that the labour cost in the steel works is very much higher than they actually are. For instance, only a few days ago I was reading a report of the annual meeting of the Park Gate Iron and Steel Company at Sheffield which makes its own pig-iron and steel. They gave the actual amount of the value of products made and their wages bill was 29 per cent. of the receipts. There is something to be added to that possibly for the raising of coal.

Mr. Tarlton.—Do they mine their own iron ore, coal and limestone?

Mr. Mather.—I am not quite sure. As I say, there is something to be added to that. On the other hand, the American Labour Commissioner reported after investigating the United States Steel Corporation in all its branches and also another very large Iron and Steel Company in America that the wages paid at all stages, except transportation, were between 25 and 35 per cent. I don't want to stress the point. It is very largely a

matter of interpretation but it does seem to me, while it might be possible to explain this in a way that would justify this 75 per cent., on the face of it, it is putting your industry in an unfavourable position compared with other industries.

Mr. Tarlton.—These figures include men in the mines working iron, coal and limestone.

Mr. Mather.—That has been taken by the American Commissioner for the United States Steel Corporation. He has given the cost of labour as 25 to 35 per cent. However, I don't want to stress the point. Then on the next page you say "Owing to the demand which took place during the war for steel, a serious inroad was made upon the deposits of high grade ores in all parts of the world." I am not quite sure whether that can be borne out by a detailed examination of the iron and steel production during the war and since the war. You are probably aware that the world's average production of iron and steel since the war has been rather less than it was before the war.

Mr. Tarlton.—Yes.

Mr. Mather.—So the consequence of the war is a decrease of output. Before the war, there was a regular increase in the demand. To that extent, the war has led to some conservation of iron ore.

Mr. Tarlton.—Take the Home position to-day. I suppose we are driven to using more ore below 30 per cent. Take the position in Spain. Inroads have now been made into the Pyrenees to such an extent that large quantities are not available. It would be almost impossible to increase present production unless other deposits were found within a reasonable distance of transport facilities. Again take the German position, we know inroads have been made into all their chief mines. We are just beginning with our ores lying on the surface.

Mr. Mather.—I perfectly realise your great advantage in respect of the ore. My only point was whether a careful examination of the fact would support the suggestion that the war in itself caused an unusual inroad in high grade ores. Then again, on the following page, you say "It has been estimated recently by a competent authority that the consumption per head of iron and steel in India is less than one-hundredth of the consumption per head in the United States of America." That, I suppose, was somebody else's estimate?

Mr. Tarlton.—Yes.

Mr. Mather.—If that were correct, and if we were also to take your other figure of consumption of India of 2½ million tons of iron and steel as correct, it would mean that America would have to be consuming 80 million tons of iron and steel in a year. She has never yet produced nearly so much. Her production is only 40 million tons. This statement cannot be correct.

Mr. Tarlton.—How did you arrive at that? What have you taken as the total population of United States of America?

Mr. Mather.—I have taken the Indian population to be three times as that of the United States of America.

Mr. Tarlton.—Is that correct?

Mr. Mather.—That is very nearly correct. The American population is 110 millions and the Indian population is 330 millions. That is a minor point.

Mr. Tarlton.—This 2½ million tons includes both iron and steel.

Mr. Mather.—That is rather important. Does that include iron which is turned into steel in the country? You cannot consume it in both ways?

Mr. Tarlton.—We will let you have the figures we have collected.

Mr. Mather.—I have been trying to arrive at the total consumption of India. I should be glad to have your figures for comparison.

Mr. Tarlton.—We will send them.

Mr. Mather.—Then on page 7, you give us your actual requirements of raw materials.

Mr. Tarlton.—Yes.

Mr. Mather.—I notice that you require about 1,200,000 tons of coking coal, the whole of which, I presume, would be required to make the pig iron?

Mr. Tarlton.—Yes.

Mr. Mather.—I am very pleased to see the figures for non-coking coal of 258,000 tons. It indicates a consumption of about 11 to 12 cwts. of coal per ton of finished steel.

Mr. Tarlton.—Yes.

Mr. Mather.—You quite expect to be able to get that?

Mr. Tarlton.—The only reply that I can give you is that it is taken out by the technical side and these are the quantities we have to budget for.

Mr. Mather.—I certainly think that that ought to be possible. If you are successful in getting that, it would certainly mean a very substantial economy in the production of steel. I expect that you will find it quite possible. I am very glad to see that there is some indication of an Indian steel plant working so economically in the matter of fuel consumption.

Mr. Mather.—In the last paragraph you say "With this protection and by exempting steel markers from import duty on all plant required directly for steel making... .... ." By plant would you mean buildings as well?

Mr. Tarlton.—No, only machinery.

President.—There are just one or two points on which I want to ask Questions? You have told Mr. Ginwala that by dumping you mean systematic selling in the foreign market at a cheaper rate than the manufacturers sell in the home market. Both in 1822, and since I think the end of July of this year, the prices quoted in the Iron and Coal Trade Review show lower prices for export than ordinary quotations. Do you regard that as dumping on the part of the British manufacturer?

Mr. Tarlton.—I am afraid I do regard it so.

President.—What was in my mind is that there is a distinction to be drawn between manufacturer in a country, where its manufacture is protected systematically for a period of years, who sells it at a lower price in the foreign market, and the English manufacturer who is apparently doing this not so much as a matter of policy but simply under the extreme stress of competition. That it is not a matter of policy is shown by the fact that, when the Continental competition began immediately after the Ruhr occupation, prices went up, and as soon as the Ruhr question is settled these prices might go down. That is to say, they want the highest prices they can get.

Mr. Tarlton.—This country cannot possibly manufacture steel on these lines.

President.—Therefore you think that, when that happens, there must be legislation of some sort available to protect the industry. I want to make sure what your view is.

Mr. Tarlton.—Yes.

President.—Can you tell us what you estimate your coal will cost per ton when you get to your full figures? I do not know whether you have worked it as far as that: possibly you have worked it up to your first instalment.

Mr. Tarlton.—We estimate that the coal will cost us delivered at our works Rs. 9.

President.—Is that the average for all kinds of coal?

Mr. Tarlton.—Yes.

Mr. Mather.—You wish the Tariff Board to make some provision against dumping. How would you suggest we should obtain reliable figures as to the actual price of steel for export and for Home consumption?

Mr. Tarlton.—Could not you take 1913 as a normal year and add 75 per cent; this is more or less the difference between 1913 and 1923 cost of living.

President.—In the Iron and Coal Trade it is something like 40 per cent. I think.

Mr. Tarlton.—I am taking the difference in cost of living.

President.—I am afraid that may involve a series of complicated calculations which the Tariff Board would not be able to work out.

Mr. Tarlton.—Cannot you take the Birmingham or Manchester quotations? They will give you the cost of production.

Mr. Mather.—They will give you the selling price, but not necessarily the cost of production.

President.—Suppose another country starts dumping.

Mr. Mather.—What about Belgium which sends large quantities here?

Mr. Tarlton.—You can take an average cost over a period of years.

Mr. Ginwala.—Take the United States Steel Corporation. You know how they regulate the prices of rails. These are said to be international prices. They sold them for 28 dollars for a number of years: they have raised them to 45 dollars for light rails and 43 dollars for heavier rails. If we take that as the basis price and compare it with the British price, you find there is not much to choose except for the freight. If any other countries export to this country under that price then the difference between these two prices would be taken as an indication as to the extent of dumping. Suppose you fix £9 as the price for rails and Germany sells at £7.

Mr. Tarlton.—It is India that you are protecting.

Mr. Ginwala.—We then come to the next stage. We take the base price of steel as the price below which you cannot manufacture reasonably and sell steel. That is what I mean by base price. In the United States and in the United Kingdom where there is fair competition the price comes to about £9. Then the mean cost must be determined between this price and the price at which you can afford to sell manufactured steel in this country. You cannot manufacture and sell steel under £10, the base price being £9. Then you say " All right give us Rs. 15 a ton." So far as that is concerned you are close to the base price, but Germany comes in there and says " I am going to sell steel in India at £7." Then there is a case for equalising the base price with Germany's selling price. Would not that be the situation?

Mr. Tarlton.—I think you are going to complicate this rise and fall by this calculation to such an extent that you would not know whether you ought to fix the duty at 33⅓ per cent. or 133⅓ per cent. Now take Tatas' figures. You will satisfy yourself whether their cost of production is correct.

Mr. Ginwala.—We are determining the price at which you will be able to manufacture and sell.

Mr. Tarlton.—I understand the position you want to protect the steel works now working, and assist in bringing out at least one more steel concern. Our figures may vary but you have the two sides of the question, one a going concern and the other with prices based on theoretical figures.

President.—In order to arrive at a definite figure we are trying to get at what price steel is likely to enter into India. Unless there are two points you cannot measure at all. Therefore you want to form a preliminary decision first as to the fair selling price for the Indian manufacturer and the price at which foreign material is likely to be sold in India. That you know can be dealt with by calculations, but there still remains the difficulty when either there is a general tendency of dumping from all countries owing to the bad conditions of the trade, or when one particular country comes in and sells much below what you take to be the price at which steel has to enter India. What is the best way of meeting this extra difficulty?

Mr. Ginwala.—Therefore I wish to suggest that you must equalise the price in all the dumping countries and bring it all to a fair price and then add a profit to enable you to compete. You can then find out what tariff you require. That is why I gave you these two instances. Supposing it was found that nobody can manufacture and sell steel below £9, we can give protection on that basis and then if it was found that Germany or Belgium would dump or sell at £7, the best thing is to equalise the price by the addition of £2 duty.

Mr. Tarlton.—I quite see the risk from that point of view, but against that I do not see how it is possible to stop some country from cutting in and dumping occasionally.

Mr. Ginwala.—The arm of law is very long, and you can embrace these things if you have the power.

President.—It might be met by anti-dumping legislation. We want to know what recommendation we should make. The law should provide some machinery by which such cases should be summarily dealt with. Could any automatic machinery be devised?

Mr. Ginwala.—Even there the prices have to be determined.

Mr. Tarlton.—What is done in Australia?

Mr. Ginwala.—They make enquiry from time to time and find out whether any country is selling below what they consider to be a fair cost of production. If it is found that Germany is underselling, say, by £2, they equalise the cost by imposing an additional duty of £2.

President.—So it is not quite automatic in that case also.

Mr. Ginwala.—However automatic you make it you must enquire into the basic price. How can you determine what is a fair price at which steel should be manufactured and sold?

Mr. Tarlton.—It appears to me that the only way of getting at this is to go on the pre-war basis for a period of years and find out the extent to which international prices did vary.

Mr. Ginwala.—They never varied so much as now.

President.—We might go on to the coal question generally. Messrs. Bird & Co. have under their control as Managing Agents a large number of Collieries or collieries producing a large amount of coal. Amongst these collieries is there any one which is in full operation getting the full normal outturn and equipped with modern machinery according to the methods which are now becoming very common?

Mr. Tarlton.—Yes.

President.—I want to get some figures which could be compared with those of Tatas for their collieries on which they are spending a great deal of money every year. Taking one of the collieries such as I have indicated, would it be possible to give us the figures for the cost of raising coal at present per ton both excluding and including overhead charges?

Mr. Tarlton.—What would you include in overhead charges?

President.—Depreciation, interest on working capital and Calcutta Agency expenses. You may give us what you have.

Mr. Tarlton.—I will give the details you require.

President.—Do you include Calcutta expenses?

Mr. Tarlton.—No.

President.—Would it include interest on working capital?

Mr. Tarlton.—Yes.

President.—So long as we understand on what basis it is prepared, it does not matter very much whether it includes a particular item.

Mr. Tarlton.—Do you want it for 1922?

Mr. Ginwala.—1921-22 will be a convenient year.

Mr. Tarlton.—I shall take a colliery in the Jherria field recently equipped, with an output of about 17,000 tons a month. Will that meet your case?

Mr. Ginwala.—Yes.

Mr. Tarlton.—The raising costs for 1921 were Rs. 3-12-3 not including depreciation and Calcutta charges. In 1922 raising costs were Rs. 4-3-11.

President.—Can you tell us where that colliery is? We do not wish to know the exact name.

Mr. Tarlton.—This colliery is quite near Jamadoba.

President.—Can you give us the cost of equipment of that colliery?

Mr. Tarlton.—Yes.

President.—It will also be useful if you will give us the total amount which you consider it necessary to allow for depreciation on that colliery each year.

Mr. Tarlton.—In the case of Jamadoba, is not that colliery raising something like half a million tons a year? Do you want a bigger one than that I have taken to make a comparison?

Mr. Mather.—17,000 is the maximum output of the colliery you are taking?

Mr. Tarlton.—This particular colliery averages approximately 17,000 tons from receipt.

President.—We may have for both.

Mr. Tarlton.—Do you want depreciation, the amount of working capital required, and the total capital invested in the colliery on which profit is to be earned, as apart from the working capital, to be shown separately?

President.—Yes. And the cost of the machinery and buildings as distinct from the purchase price which, so to speak, is the price of the coal itself. I think that practically covers all the ground. We would also, of course, like to have the cost of raising which you could give us for the first colliery.

Mr. Tarlton.—Yes, we will do that.*

President.—To what extent is colliery machinery manufactured in India at present?

Mr. Tarlton.—Practically the whole of the colliery machinery, except the electrical equipment, coal cutters, centrifugal pumps, compressors and boilers, can be made in this country.

President.—On the whole, in the case of a colliery, is it probable that the machinery which is not manufactured in India at present would constitute more than half the total expenditure on machinery—I am thinking of the capital expenditure.

Mr. Tarlton.—That depends entirely on the position and the depth that you have to go down to bring out the coal. For instance, in the case of an outcrop seam it would be only a small proportion, because if you purchase a first class property with outcrop seam, you would pay very much more for the land than you would in a case where you have to spend big amounts in sinking shafts and putting in plant to raise the coal. Therefore it varies very considerably. In the Jharia division there are more shafts under 300′ deep than in the Ranigunge Division. In the Ranigunge Division there are more over 300′ and consequently your cost of plant varies in proportion to the depth at which you find the coal.

President.—So it is not possible to make any general estimate about it?

Mr. Tarlton.—I am afraid in considering a colliery you must take it from all points of view. If you have an option on land you must see that you do not pay too big a purchase price for your land if the coal is lying at depth; on the other hand, if the coal is outcropping, you can afford to pay more for your land. In one place you spend very little on machinery, and in the

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Vide Statement III (7).

other you are spending a good deal on machinery, and a great deal on sinking.

President.—It is rather important if we can get some sort of figure of what the effect on collieries would be if effect were given to the proposal of the Tata Iron and Steel Company to raise the duty on steel from 10 per cent. to 33⅓ per cent. Can you give us any figures about that, in the first place as regards the working cost, and in the second place as regards the capital necessary for opening new collieries?

Mr. Tarlton.—The only thing I could do for you would be to take a case in which there is outcrop coal and give you the difference that any tariff would make on the money that is invested in plant. That is one case. The second case would be to take a colliery in which you have to go to some depth and work out from that what an increased tariff would mean to that colliery company on the plant that they had put in. It would then be for you to average these two costs out.

Mr. Ginwala.—We are at present considering the tariff only on the kind of steel that is manufactured in this country. Any kind of steel that is used in your own colliery machinery that is not manufactured in India will not be affected.

Mr. Tarlton.—If you are only considering rails and—

Mr. Ginwala.—You must eliminate those articles which are not manufactured in the country.

Mr. Mather.—*Plus* the sheets which will be manufactured within a year or two; that will have to be dealt with.

Mr. Tarlton.—I see very little except electrical plant, turbines and boilers but what would be manufactured in this country.

Mr. Mather.—Are engines manufactured here?

Mr. Tarlton.—Yes, we build engines, headgears, coal tubs and all structural gear.

President.—Exclude everything that is not manufactured in India at present

Mr. Tarlton.—Yes.

President.—A general question about which we wrote to the Mining Association was whether, in their opinion, the increase of price since or before the war were permanent or temporary, and what the reasons for this increase in the price were.

Mr. Tarlton.—I prepared a note * on this which, if I may, I will read to you and then hand you a copy (read). If Government will do something to remove the wagon restrictions or so organize the wagon supply we can reduce our cost.

President.—You believe that it is possible to reduce the price of coal to some extent?

Mr. Tarlton.—Yes, but the trouble with the coal trade is that Government have monopolized wagons, and unless you have a railway contract, or with steel works or a public utility company, you often go weeks without wagons for public supplies. Therefore coal concerns are handicapped and are driven to take these Government contracts.

President.—This wagon shortage I gather also existed before the war?

Mr. Tarlton.—It did.

President.—Perhaps, as long as you have been in India?

Mr. Tarlton.—In 1906 Government paid Rs. 2-11 for their coal. What happened—nothing but rise coal was worked, surface was allowed to subside, large volumes of water admitted to the workings, cost of pumping went up and a general increase in price of coal. What we have to do now is to form barriers to protect the present workings, which means that, while we are

*Statement II.

forming these barriers, our raisings are low and our costs are high, and until we are through this difficulty the cost of coal will remain fairly high. Government can assist us by improving the organizations and the methods of handling wagons to-day. Two rupees is lost in dumping coal, re-handling, depreciation of steam coal to dust and interest on capital on dumped coal.

President.—Then you consider that in the matter of wagon shortage it is worse to-day than it was before the war?

Mr. Tarlton.—I won't say worse, but it is not better.

President.—The Indian Mining Association suggest that, inasmuch as there was wagon shortage before the war, it could not be responsible for the rise in prices. On the other hand, an improvement might be responsible for a fall in prices?

Mr. Tarlton.—An improvement would be responsible for a fall in prices.

President.—Are there any other causes which you consider of sufficient importance to mention?

Mr. Tarlton.—I think labour rates are too high. The reason for making this statement is that the miners work for about 3½ to 4 days at the very most per week.

President.—And meanwhile there has been heavy increase in the rates of wages?

Mr. Tarlton.—Practically 100 per cent.

President.—We were told by another witness that, in his opinion, it was quite impossible be reduce the rate of wages, and he seems to think that a better outturn per man would mean a further rise in wages. I do not know whether you agree with this view.

Mr. Tarlton.—What I feel is this, that the great hope for the coal trade is to put in mechanical means. I do not think that the ordinary miner will give much more than what he is giving now per shift. The line of development we look to is from the mechanical side.

President.—I can quite understand that, when mines reach a certain stage of development, you cannot really work it on a profit until you put in machinery. That means an increase in expenditure rather than an actual decrease in your total expenditure?

Mr. Ginwala.—Have you got a colliery that you started in about 1916-17?

Mr. Tarlton.—We must have collieries started then.

Mr. Ginwala.—The reason I am asking this is that most of these collieries started about 1916-17. If you could give us those figures that you have promised; it will do for us. What I want to know is this. Supposing you wanted to work up to an output of ¾ million tons a year, how long would it take to get up to that from the moment you started working?

Mr. Tarlton.—I suppose it will take 15 to 18 years to work up to that. In the new fields on quarry work I hope we shall work up to that within three to five years.

Mr. Ginwala.—That is in the Jharia field?

Mr. Tarlton.—No, in the Karanpura field.

Mr. Ginwala.—Take a Jharia field.

Mr. Tarlton.—That is a very difficult question; for instance you must have an area sufficiently large enough to work up to ¾ of a million tons. You can take a general average for a mine in India. In it you will find that for one-third of the year you do not get more than 50 per cent. of the working faces occupied, and for another third you won't get more than three-quarters occupied, and it is only for the remaining third that you get your maximum output. Therefore you have to have an enormous number of working faces to give you sufficient coal working face room for a very big output.

President.—Suppose it was in the case of three or four collieries, one perhaps with an outturn of 30,000 tons and another with an output of 150,000

tons and so on. I don't think there is importance of its being only one colliery. Take 4 or 5 collieries each with an outturn of say 150,000 tons.

Mr. Tarlton.—To commence with, the sinking of pits and working up to ¾ million tons in the Jharia division would take 10 to 15 years.

Mr. Ginwala.—On that basis if the output has increased by 150,000 tons a year, would you consider it good progress?

Mr. Tarlton.—You may for the first few years if it is a new mine, but after the first three years for an enormous area like that I should not call that good progress. After five years I should call it very good progress, the more coal you raise the further you extend the working face.

President.—Your rate of progress slows down?

Mr. Tarlton.—Yes, after a given period.

Mr. Ginwala.—Having regard to the general condition of the coal trade will you expect a steel works to have control of its own coal?

Mr. Tarlton.—I think it is good policy.

Mr. Ginwala.—Apart from other things it is a sort of insurance against risk?

Mr. Tarlton.—Yes.

Mr. Ginwala.—Of course, you have heard that the Tata Iron and Steel Company have entered into long term contracts and in addition to that they have acquired collieries?

Mr. Tarlton.—Yes.

Mr. Ginwala.—As a business man do you consider that a safe method of doing business.

Mr. Tarlton.—I think it is a fairly sound policy that they have followed because they are working more or less on the coal trade rates. That is to say, the railways will, for an average number of years, buy coal better than the public. as they have control of wagons, so that it is rather sound policy to follow the line that they did, although at the present time they are paying a big price for their coal.

Mr. Ginwala.—Having regard to the general conditions of the steel trade do you consider it a sound policy?

Mr. Tarlton.—I think it is.

Mr. Ginwala.—I should like you to give me some figures showing labour, stores, etc. Of course, you give the 1917 cost of raising coal as Rs. 3-11, but can you give me these figures in a little more detail? What I would like you take are the 1913 figures and those for 1922.

Mr. Tarlton.—I will take the 1913 figures and then the 1922 ones, and get you out particulars for each year. I can give you 1913 and from 1917 onwards separately for labour and other things.

Mr. Ginwala.—Is it not the practice in the collieries to pay the labour by the piece?

Mr. Tarlton.—Yes, by contract, that is so much per output.

Mr. Ginwala.—Will you show it in a table?

Mr. Tarlton.—Yes, showing the different rates.

Mr. Ginwala.—Does a man's work increase in proportion to what he gets?

Mr. Tarlton.—That is the trouble. He is now getting the same amount of money as he did before, by working only 4 days. That means that he is going to earn enough in 3 to 4 days to meet all his requirements.

Mr. Ginwala.—What remedy do you suggest?

Mr. Tarlton.—If the trade demands that price of coal should go down, wages along with other units must fall.

Mr. Ginwala.—Is there no system of paying a bonus to the employés?

Mr. Tarlton.—Yes.

Mr. Ginwala.—Has it made any difference?

Mr. Tarlton.—I am afraid it has not. Whatever we do in the shape of increasing their earnings means on the whole less coal. We have increased their accommodation. We have improved sanitation and water supplies and have provided bazars.

Mr. Ginwala.—Now with regard to the wagon question: do you attribute this increase of Rs. 2 to the wagon shortage entirely?

Mr. Tarlton.—It is due entirely to not getting wagons as and when we want them for loading purposes.

Mr. Ginwala.—Is it due to the number of wagons being not sufficient or is it due to the service? What is the reason?

Mr. Tarlton.—It is very difficult to say, but the layman would say it is due to bad organisation.

Mr. Ginwala.—You think that there is no shortage of wagons, taking numbers?

Mr. Tarlton.—As you see the position of the yards to-day, there are untold empty wagons lying about the place, but if indents for this or that station are made, indents are not met. It is very difficult to get reliable information from the railway authorities. All that you know is that there is a block here and a block there.

Mr. Ginwala.—Looking at the coal industry in relation to the steel industry, supposing the manufacture of steel was stopped in this country will that affect the coal industry?

Mr. Tarlton.—Rather.

Mr. Ginwala.—In what way?

Mr. Tarlton.—The price would go down. Whatever coal Tatas are buying now would be thrown back on the market, and coal they themselves are raising would also be offered to the public.

Mr. Ginwala.—Do Tatas consume a fairly large proportion of coal?

Mr. Tarlton.—I should imagine that Tatas consumption is about 2 million tons a year.

Mr. Ginwala.—It may run up to 2 million tons later on.

Mr. Tarlton.—When it does approach that figure, it is a tenth of the output of India.

Mr. Ginwala.—So that from the point of view of the coal industry, it is to its interest, in your opinion, to see that steel is manufactured in this country?

Mr. Tarlton.—Yes.

Mr. Ginwala.—Have you got your own figures as to the total quantity of coking coal available in this country?

Mr. Tarlton.—We have our own figures, but I have not the total figures.

Mr. Ginwala.—What is the total quantity that you have at your disposal?

Mr. Tarlton.—I could not tell you from memory, I will let you know.

Mr. Ginwala.—If you will, we shall be obliged.

Mr. Kale.—With reference to the answer which you gave just now to Mr. Ginwala, there is only one question I want to ask. You say that the collieries depend for their prosperity practically very largely on the success of the steel industry.

Mr. Tarlton.—To the extent of 1/10th of the total output of coal.

Mr. Kale.—So that if, on account of the development of the steel industry and the protection given to it, the price of steel goes up, the colliery owners ought not to complain because they are getting something out of the steel industry and they have to pay out something.

Mr. Tarlton.—Yes, I agree with you.

Mr. Mather.—In considering this question of the effect of an increased duty on steel on colliery costs, the Board has been asked by the Agricultural Implements Company to put an increased import duty on the kind of materials they make, among which they include picks. Would you be able to give us some information about the effect that such an increase would have on your consumption of picks?

Mr. Tarlton.—Yes.

Mr. Mather.—I take it that the collieries buy these picks and supply them to the miners?

Mr. Tarlton.—Yes.

Mr. Mather.—I mention this as one consumable class of steel on which an increased duty is asked for.

Mr. Tarlton.—Are picks made in this country?

Mr. Mather.—Yes, out of the Tata steel.

Mr. Tarlton.—Are they of suitable quality?

Mr. Mather.—They claim so.

Mr. Tarlton.—It is not altogether a question of price. If the pick is not of a suitable quality, you would immediately loose output, the miner would immediately become dissatisfied. If he were to use a blunt pick instead of a sharp pick, his output would be less and he would immediately ask for an increase. It is a small matter no doubt, but it is most important to the man who uses a pick.

Mr. Mather.—None of them has come to me officially for inspection, so I cannot say. They have a staff experienced in the manufacture of these articles. They buy the steel from Tata's. The presumption is that it is a serviceable article, but, of course, I do not know whether you have ever bought picks made in India. If you have any information, it would be useful to us.

Mr. Tarlton.—We will purchase some and see what they are like. We will soon know from the men who use them.

No. 77.

The Bengal Iron Company.

WRITTEN.

Statement I.—Representation of the Bengal Iron Co., Ltd., to the Tariff Board, dated 3rd October 1923.

We have the honour to acknowledge the receipt of your letter No. 327, dated 27th ultimo in which you ask us to furnish your Board with our views on the argument put forward by the Tata Iron and Steel Company in their representation to the Tariff Board, namely that if adequate protection is accorded to the manufacture of steel it is probable that other firms will also commence to manufacture and that before many years have elapsed the price of steel in India will be affected by internal competition and will eventually be brought down by this means to the world level.

2. We think we are justified in assuming that the Tata Iron and Steel Company in asking for protection have done so to safeguard the interests of the Company itself; this being so, we hardly comprehend how tariff protection will help the Tata Iron and Steel Company if their argument holds good that the result will be the introduction of their steel producing companies to work in competition with them. New companies would start with the great advantage of a lesser capital outlay than the existing Company and would profit by the mistakes of the pioneers of the industry. We consider that such new companies would be in a very favourable position for competition and the cutting of rates.

On the other hand, we ourselves must confess to our inability to envisage the appearance, within an effective period of time, of sufficient companies making competition so serious as to render the protective tariff inoperative and to reduce internal prices down to the level of world prices. In fact we are strongly of opinion that once the tariff comes in it has come to stay. The establishment of a first class steel works in India is an expensive undertaking and no light task and in present market conditions would require very serious consideration. It is indeed doubtful whether it is possible to create in India a steel industry in any way comparable to the same industry of other countries. We refer to the known limited quantity of coking coal in India, to the distances between deposits of ore, coal and limestone, as also to the limited number of available sites adjacent to the ore fields owing to scarcity of water. The question of railway facilities is also of first importance in regard to the development of this industry in India.

3. In paragraph 2 of your letter under reply you are good enough to say that our opinion on the subject will be of special value on account of the experience we gained some years ago when we manufactured steel.

This Company, then the Bengal Iron and Steel Company, commenced the manufacture of steel in 1902. The capacity of the plant was 20,000 tons per annum. The experiment proved an unprofitable one and the steel works were closed down in 1905. At that time the Government policy of buying in India did not exist to the extent it does to-day, and such orders as were received from Government were of such diversity as to make manufacture unprofitable. It will be quite understood that steel is manufactured in many forms and the most profitable way is to concentrate on as few classes as possible. In England the manufacturers have grouped themselves together for this purpose. Advantage is thus gained by each works producing the class of steel best suited to its plant at the lowest cost. We are still of the opinion that our experiment would have been a success if it had received the wholehearted support of Government.

Our remarks indicate a direction in which very real help could be given by Government to the Tata Iron and Steel Company. The Company state that

they saved Government Rs. 1,42,02,104 on steel rails during the last two years (*vide* Mr. Peterson's letter to the "Englishman" dated 3rd September 1923). We imagine this means that the Company sold to the Government at a lower rate than Government could have purchased in England. In dealing with an infant industry a policy which stipulates as a condition of purchase a price much lower than the imported price is, in our view, a policy highly detrimental to the real interests of the country. From the figures given in Mr. Peterson's letter it follows that the Company, had they been given a fair price for their rails by Government, could have paid more than the 15 per cent. return asked for on their ordinary capital, and furthermore Mr. Peterson's letter seems to prove that rails can be manufactured by them at a profit provided they secure a fair market price.

4. You intimate in the last paragraph of your letter that the Tariff Board would be glad to have our opinion as to whether the rate of duty is (a) excessive or (*b*) inadequate to secure the object in view. The object in view, we take it, is the early development of the steel industry in India. Without being put in possession of the actual figures of cost of production compared with sale prices we feel we are unable to give the Board a considered opinion. But we must confess to very grave misgivings of the proposal. A tariff figure cast so high as 33⅓ per cent. on a key industry such as steel must have very far-reaching effects. As far as this company is concerned we view with alarm the proposal as made. The Tata Iron and Steel Company are competitors of ours in the manufacture and sale of pig iron and have for many years underquoted us to an unnecessary extent in foreign markets. The prices at which they have sold prove that they could have made but little profit on the transactions, to some extent the loss on steel might have been balanced by a more profitable disposal of their pig iron. The imposing of a high tariff on steel would mean practically presenting a bounty to the Tata Company enabling them to undersell us still further in the pig iron market.

We would like, therefore, to record our emphatic protest against any such proposal.

Statement II.—Letter from Messrs. Vithaldas Damodher Thackersey & Co., Agents for the Agricultural Implements Co., Ltd., to the Tariff Board, dated the 27th September 1923.

In answer to your circular latter dated August 29th, 1923, enclosing list of questions on which you desire to have our remarks, we have the honour to give you herewith our opinions on the various points as requested.

1. We consider that the increase of duty on imported steel from 10 per cent. to 33⅓ per cent. would affect our operations to a considerable extent, without a similar increase on manufactured steel implements is imposed.

2. We are making solid steel picks, pickaxes, railway beater picks, mining picks, powrahs or kodalies, trenching hoes, kodalie forks, ballast rakes, hammers, crowbars, etc. The whole of the raw material we use is steel.

3. When working on full production we shall require about 5,200 tons of steel bars of various sections per annum, this steel is of a special class containing ·55 to ·65 per cent. carbon, the sections also differ from the usual standards.

4. The cost of the steel is about 61 per cent. of the nett cost of the finished article.

5. From the only available source of information at our disposal we find that the total imports into India from all sources averaged Rs. 29,77,318 for the past three years ending March 31st, 1922. We are unable to give any information as to the quantity manufactured in India outside our own production, but we find there is a very small amount made in the bazaars.

6. Our Company only commenced work in January of 1923 and our production has been on an average 80 tons per month. The maximum output of the factory as at present organized is 4,000 tons of finished articles per annum.
7. Railways, the Public Works Department, the Military Works Department, Municipalities, Mines, Tea Gardens, and Bazaar merchants who supply the ordinary users and petty contractors. So far as we are aware there are no exports of articles such as we manufacture.
8. None.
9. We have dealt with this question at length in our note on the prospects of our Company and the need for protection.
10. We consider that circumstances fully justify us in asking for further protection and more particularly would such protection be needed if the import duty on steel is increased.
11. We believe that protection would be best afforded by an import duty on foreign goods, such duty is in the nature of indirect taxation, is easily collected, and is felt less by the country as a whole, than any other form of taxation. We have stated in our note, submitted separately, what amount of protection is considered necessary in the case of our Company.
12. Dumping does occur, and is likely to continue, as competitors have the advantage of several markets, and are consequently in a position to average up their profit and loss, which is a condition that does not apply to a Company catering for one market only.

Oral evidence of Mr. H. FITZPATRICK, representing the Bengal Iron Company, recorded at Calcutta on the 8th November 1923.

President.—We are much indebted to you, Mr. FitzPatrick, for having come to-day to give us what assistance you can in our enquiries. We indicated in our letter that two of the points in which we are most interested are the natural advantages possessed by India in respect of steel manufacture and as to the possibilities, within a reasonable time, of a really important steel industry coming into existence in India. In your letter on behalf of the Bengal Iron Company you have indicated that in your opinion there is a good deal of doubt about it and perhaps the most convenient way is to begin with the various points which you have mentioned as difficulties. In the first place, you say "The establishment of a first class steel works in India is an expensive undertaking and no light task, and in present market conditions would require very serious consideration" Well, I think under existing market conditions and the existing rate of duty there are no two opinions about it. But of course presuming that it was decided that there should be protection and the protection was adequate for the purpose, the difficulty about market conditions would disappear?

Mr. FitzPatrick.—If protection is only for a short time in order to protect the industry until it is established, in that case we could not go into the steel business with such a short guarantee as five or ten years, for we would find ourselves in exactly the same position as we were in 1902-5.

President.—That difficulty seems to arise from the length of time it takes before steel manufacture can actually start. After a firm has decided to put up steel works it takes several years, I understand, before they can really put them into full operation for producing steel.

Mr. FitzPatrick.—At least five years, I should think, and if there is only five years on top of that it is hardly worth starting at all, no one would put up the money on these conditions.

President.—If protective duties were imposed, capitalists would have to have a reasonable assurance that they were going to have a fifteen years' or preferably 20 years' guarantee. Is that your view?

Mr. FitzPatrick.—Probably more.

President.—Of course, the Legislature can never bind itself, so that an absolutely binding pledge cannot, in any case, be given.

Mr. FitzPatrick.—No. Of course if the intention of the Government of India is to put on the duties for revenue purposes, it would be different because once they get a certain sum of money as revenue they would hardly let it go; but if it is decided to protect only just to start the steel industry, then of course you cannot expect people to put money into it.

President.—Revenue duty has this disadvantage that in so far as people do produce steel, the duty would tend to disappear. It would be a vanishing asset as far as the Government of India is concerned.

Mr. FitzPatrick.—That is to say, you think that by having more competition the Steel companies would sell steel at such a price as to make it impossible to import steel?

President.—I should rather put it this way, that if more steel is manufactured in India, less will be imported, and therefore the duty on imported steel will gradually become less and less and will therefore be of less and less value to the Government of India.

Mr. FitzPatrick.—I see that, but the thing is that if you are going to put a duty on steel it is because you cannot manufacture steel at a profit at

the present day, and if you go on manufacturing steel you could not reduce the prices.

President.—Well, that may be so at the outset, but the assumption would be that on the introduction of a new manufacture (I understand the steel manufacture itself requires a very special experience and so on), the prices would undoubtedly be higher than they are elsewhere, other things being equal, but these difficulties would gradually be overcome and the prices would tend to fall. You yourself, I think, said that new companies would start with the great advantage of a lesser capital outlay than the existing companies and would profit by the mistakes of the pioneers of the industry.

Mr. FitzPatrick.—That is to say, if the thing was going to be a permanent duty you would get new interests which would come in? I dare say there are companies now which have been studying this question for more than 6 years, and now that this idea of this protection has started they would come in simply for that reason.

President.—You think that these companies or some of them which have been studying the question would probably come in if protection were given?

Mr. FitzPatrick.—I think they would start. In that case if the consumption of steel in India is limited—so far as we know the biggest buyers are the Government—and if one firm alone can produce that quantity, then other companies with a bigger capital would naturally have to go out of business.

President.—There are various possibilities in that direction, but do you not think that the company which has a five years' start has some advantage? But really it is hardly possible to forecast the fate of individual companies five years ahead or to say what would happen then.

Mr. FitzPatrick.—When we put money into a concern we have to look more or less ahead.

President.—You are contemplating the fate of the company that is already in existence?

Mr. FitzPatrick.—I think in your letter you say that it is to protect the existing company—the idea of the Government of India is to keep the existing steel industries going, and that they cannot exist without protection.

President.—It is more than the existence of a particular company. What was suggested there was that the manufacture of steel in India might cease altogether if protection were not given.

Mr. FitzPatrick.—The manufacture of steel in India at present will never cease, no one ever thought of that. Whether it is the Tata Co. or somebody else, steel will always be manufactured whether it is manufactured profitably or not, and you also say that it is of national importance that you should have a steel industry in India.

President.—If the Tata Company were unable to continue, do you contemplate that Government would take over the Works?

Mr. FitzPatrick.—They might do so. They did that to us once. They took over the Burrakur Iron Works at one period.

President.—When was that?

Mr. FitzPatrick.—That was before the manufacture of steel. There have been three companies I think in existence.

President.—But at present do you think there is a possibility that Government might take over the Works at Jamshedpur and manufacture the steel themselves?

Mr. FitzPatrick.—Some day Government might do so. You know yourself that it is possible to manufacture steel in India.

President.—It is undoubtedly possible to manufacture steel in India, but there is the difficulty of manufacturing without any profits at all.

Mr. FitzPatrick.—I think I have suggested in my letter that, if Government really wished to foster the steel industry in India, they as the largest buyers should give a fair price.

President.—That is a point I want to come to later. Just at the present moment the suggestion you make is that, if the Tata Co. find themselves unable to manufacture steel owing to the losses they were incurring, either Government or someone else should do it?

Mr. FitzPatrick.—That is our opinion.

President.—But if the figures showed pretty conclusively that the Tata Co. could not manufacture at a profit, no one else would conceivably take up the manufacture except Government.

Mr. FitzPatrick.—That is for Government to decide.

President.—I am putting to you if there is literally no profit, then it must be Government because there would be nobody else to come in?

Mr. FitzPatrick.—That is for Government to decide whether they would pay anything in the way of insurance to a Company for going into the steel industry. I don't quite see how that can be done otherwise. Take for instance the manufacture of rifles in India. I don't suppose that they could compete with firms at Home, so in order to have a rifle factory in India they must be prepared to run that at what will be considered a loss. It would no longer be a question of a company, it would be a national question, and no company would take up the present concern if on going through the figures they found it was impossible to manufacture steel at a profit.

President.—I should like to pass on to the other difficulties you have mentioned in the way of the establishment of steel manufacture in India. You say "We refer to the limited quantity of coking coal in India." We have had evidence before us to that effect. Can you amplify the statement in your letter in any way?

Mr. FitzPatrick.—The Geological Survey have told us that that is so. It is an expression of opinion which is generally accepted. Of course, you can get coking coal from inferior quality of coal by cleaning.

President.—Your source of information is the Geological Survey of India?

Mr. FitzPatrick.—Yes.

President.—A note has been prepared for us by an officer of the Geological Survey on that question generally and as regards the question of raw materials for steel making. What I want to know is whether you have any special information on the subject apart from what you have obtained from the Geological Survey?

Mr. FitzPatrick.—Only as a commercial concern; as far as we know at the moment there is no coking except that which is already known, and held.

President.—One thing we have been told and that is that in the Karanpura field no coking coal has yet been found. Does that also apply to the Bokharo field?

Mr. FitzPatrick.—It is a very difficult question. This coal is supposed to be a coking coal, actual tests prove it not to be good coking coal. Also what is known as coking coal in India is not coking coal in the real sense; their content of gas is higher than that of the coking coal used in England. What we consider as first class coking coal in India would not be considered as first class coking coal in England.

President.—No doubt the lower quality of the coal is an unquestionable disadvantage in India, but is it so great that it may not be counterbalanced by greater advantages elsewhere?

Mr. FitzPatrick.—In what way?

President.—Take the quality of the ore, for instance

Mr. FitzPatrick.—The quality of the ore is very high. But then it takes a certain extra amount of limestone to produce pig iron as compared with Home conditions, doesn't it?

President.—It is rather for you to give us the information.

Mr. FitzPatrick.—That is what we have found, but I want to have it affirmed.

President.—It is important. I want you to tell us what the experts of your firm think?

Mr. FitzPatrick.—We are comparing it with other existing steel industries in the world.

President.—Do you mean that on account of the high proportion of ash, more limestone is required?

Mr. FitzPatrick.—Yes.

President.—Can you give us approximately the extra quantity of limestone that is required as compared with other countries?

Mr. FitzPatrick.—I should not like to make a statement which may not be correct.

President.—It would be useful. We are anxious to get the opinion of the people who are actually manufacturing pig iron because I think it was not brought out in any other evidence. Is it not a fact that pig iron can be produced a good deal more cheaply in India than in most countries?

Mr. FitzPatrick.—Yes.

President.—As far as that is concerned the inferior quality of the coking coal is not in itself an insuperable difficulty?

Mr. FitzPatrick.—No.

President.—I admit that if there was an insufficient quantity of coking coal that of course would be an entirely different matter?

Mr. FitzPatrick.—There is always a sufficient quantity of second class coal and the difficulty about coking coal can be overcome by cleaning second class coal by the Froth Flotation process, but the price at which it cost as coke and from coke to our furnace is not a commercial possibility. By using very low grade coal you can make coke, but the cost of cleaning will be prohibitive and not an economic possibility at the present moment.

President.—Then you also refer to the distance between the deposits of ore, coal and limestone. The evidence we have had both from the Tata Iron and Steel Co., Messrs. Bird & Co. and also, I think, the Indian Iron & Steel Co. has rather taken the line that in that respect conditions were satisfactory, except that the Tata Co. told us that the distance from which they had to bring their dolomite and limestone was longer than they would have liked. But as regards coal and iron ore, they considered that India had a natural advantage in the relative vicinity of the coal and the iron ore.

Mr. FitzPatrick.—I do not know what the distance of the Tata Co. is from their ore and coal mines, etc.

Mr. Ginwala.—They say nothing is further than 150 miles on an average. Taking all the materials, some may be a little more and some may be less; the limestone is certainly at a greater distance.

Mr. FitzPatrick.—As against that, for the industry 150 miles is quite a big thing in freight.

President.—But I think a statement was quite definitely made that they had an advantage in that respect.

Mr. FitzPatrick.—Advantage as far as India is concerned?

President.—No. Mr. Tutwiler said that except in the State of Alabama in the United States of America the conditions were as favourable as in any country.

Mr. Mather.—To make East Coast Hematite the ore is brought from Spain.

Mr. FitzPatrick.—That is seaborne. There is a big difference between seaborne freight and railway freight.

Mr. Mather.—The distance make the difference favourable to India in this case.

President.—There again I put it to you that these difficulties so far as they exist would apply equally to the manufacture of pig iron?

Mr. FitzPatrick.—Yes.

President.—In that case should not the cost of producing pig iron in India be high instead of being low?

Mr. FitzPatrick.—The idea is to reduce the cost as far as possible.

President.—At any rate the fact that pig iron can be produced at a low cost tends to show that these difficulties about coal and so on and about the distance are not so very great?

Mr. FitzPatrick.—No. The selling price at Home and the selling price here is very much alike and the profits made are about the same.

President.—That tends to prove this that you are making rather large profits, but I don't think the selling price comes into this. What I put to you is that the difficulties as to the distance of the various raw materials from the site of manufacture apparently cannot come to very much, owing to the fact that we know that pig iron can be produced in India at a very much lower cost than elsewhere?

Mr. FitzPatrick.—I am talking now about the question of distance as one of the difficulties in starting a new concern. In my letter to you I put that as a reason, but there are other reasons which I have not mentioned. What I have in my mind is the Railway transport. If we take the Amda Jamda line which takes you to a very rich ore deposit in Singhbhum district, I think that if all the three companies at present (the Indian Iron & Steel Co., the Tata Co., and ourselves) were to go to this district for all the ore we require, the railways could not possibly transport it over the single line they now have.

President.—Do you suggest that there is no alternative route?

Mr. FitzPatrick.—The B N. Railway put in that line and are not working it at a profit, so they are not likely to put in another one.

President.—If the proposition is that the line is so full of traffic that it can carry no more, it is difficult to understand why they should not put another line.

Mr. FitzPatrick.—It is a very difficult country and trains are limited as to tonnage, and it is not a question of running at full capacity, but only limited capacity, owing to the curves and gradients that exist on this line.

President.—I had heard that it was a difficult country, but I always understood that there were other alternative routes, that they were not, so to speak, finally shut up to this route. You are not bringing anything over that line?

Mr. FitzPatrick.—Our present requirements can be satisfied by our light railway, but if we had a steel plant we would require twice as much ore as we now take: we can only increase the capacity of the light railway by 50 per cent. and therefore we should have to bring ore from our other property on the Amda Jamda Railway.

President.—Messrs. Bird & Co. say that there was an alternative route to the Keonjhar field.

Mr. FitzPatrick.—You could double the line—but it is a question of cost. The cost, however, is so big that it was not a commercial proposition

President.—But still Messrs. Bird & Co., who are a company with a large plant, seem to be satisfied that this could be done at a cost which would be reasonable.

Mr. FitzPatrick.—They have taken it for the existing line.

President.—They said that if there were great difficulties in getting the ore over the Amda Jamda line, there was a cross cut which would save a considerable amount of distance. I did not clearly understand how they proposed to do it, but they said something about ropeways.

Mr. FitzPatrick.—We have gone into the question of ropeways. We have had quite a lot of experience; I do not think it possible. There is to be another line going straight to Vizagapatam, but it will not, I think, go there for some time yet.

President.—You think that the difficulties in getting the ore out from Singhbhum are such as to make it doubtful whether a sufficient quantity could be got out without incurring impossible expenses?

Mr. FitzPatrick.—That is so.

President.—Can you describe the nature of the difficulties on the Amda Jamda line?

Mr. FitzPatrick.—I cannot, except that it is a very difficult country.

President.—Is it at one particular place that the line is congested or does the congestion extend to all the places on the line?

Mr. FitzPatrick.—It is better to take a railway man's advice on that as to whether it is a bottle neck at one place, or a gradient at another.

President.—The evidence has been put forward by you.

Mr. FitzPatrick.—That is our opinion.

President.—But you are unable to explain how the difficulties arise.

Mr. FitzPatrick.—Gradients.

President.—It is only a question of gradients?

Mr. FitzPatrick.—As far as I know, it is only that.

President.—Then you have also referred to the limited number of available sites adjacent to the ore fields owing to scarcity of water. Messrs. Bird & Co. also have told us about that. The question of water being absolutely vital for the manufacture of steel, they have to find a site which will do. However they are satisfied that in any case the difficulty can be solved. Do you consider that the steel works ought to be in the vicinity of the ore or in the vicinity of coal?

Mr. FitzPatrick.—There are two schools. I cannot say which one is better. It depends on various things.

President.—Are there the same difficulties or greater difficulties in the coalfields?

Mr. FitzPatrick.—I cannot say that. For instance, in Jheria, as far as I have seen it, there is scarcity of water.

President.—Admitting that to be correct that there is only a limited number of sites adjacent to the ore fields, there is still the question whether there are not suitable sites in the vicinity of coal.

Mr. FitzPatrick.—We have gone into that, the Burrakur is one of the biggest rivers going through the coalfields and we have difficulty in the hot weather.

President.—The river runs low in the hot weather?

Mr. FitzPatrick.—It dries up.

President.—Storage would be expensive?

Mr. FitzPatrick.—Yes.

President.—Are you definitely of opinion that the site where your Iron works are situated, would not be suitable for the manufacture of steel?

Mr. FitzPatrick.—We might just manage it. We are rather in a good position on the bank of the Burrakur river.

President.—It would mean storage?

Mr. FitzPatrick.—Yes.

President.—Another point we have mentioned in our letter is the reason why the manufacture of steel by the Company in the years 1902-05 proved a failure. The main difficulty, as we understood it, was that from Government you received only miscellaneous orders for small quantities at a time.

Mr. FitzPatrick.—That is right.

President.—I take it that from the general public also you got nothing but small orders?

Mr. FitzPatrick.—That is right.

President.—In order to get cheap production, the firm must be able to keep their works employed on standard sections which can be produced continuously whenever there is no demand for special sections. That was the main reason that you were unable to manufacture steel at a profit.

Mr. FitzPatrick.—Quite so.

President.—Were your company able to work out the cost of production per ton and compare it, say, with the British manufacturers' cost at that time? What I am getting at is the extent of the difference between what it was costing you and what it was probably costing the Home manufacturers.

Mr. FitzPatrick.—We have not got the cost of the Home manufacturers at that time, but their selling price in Calcutta was the same as ours which left us no profit.

President.—Was it a case of no profit or was it a case of loss?

Mr. FitzPatrick.—If we are selling pig iron and steel and charge to our steel the market price of pig iron, in that case, it might really show a loss, whereas we may be making a profit on the pig iron.

President.—For your own purposes, you must have kept some form of costing account in order to satisfy yourself whether the steel was paying its way or whether it was a burden on the pig iron?

Mr. FitzPatrick.—That is why we stopped the manufacture of steel.

President.—Before that, you must have in some way satisfied yourselves as to the position with regard to steel manufacture.

Mr. FitzPatrick.—Yes.

President.—What I am asking is whether it was paying its way and no more, or whether it was trenching upon the profits made on pig iron.

Mr. FitzPatrick.—It was a case of actual loss.

President.—Was a figure put upon it at so much per ton?

Mr. FitzPatrick.—Yes, we had a figure on it.

President.—Would you have any objection to tell us?

Mr. FitzPatrick.—None whatever. But it won't help you very much in the present case. I brought these books along (hands the President some books). We are lucky to have kept them. In one of those books you will find it, but it bears no comparison to the present day costs.

President.—The experience of the Tata Iron and Steel Co. is all that we have about the manufacture of steel in India, excepting the steel you made in those years?

Mr. FitzPatrick.—The East Indian Railway make steel in Jamalpur.

President.—Do they make rolled steel?

Mr. FitzPatrick.—They roll their bars; they cast their locomotive wheels and they also make springs which rather surprised me. I thought that they bought them all in Sheffield. They are the people, who can give you information as to the cost of manufacturing steel. They can give independent evidence as they do not manufacture steel for sale but for their own use. Their figures will probably be much more valuable than ours or Tatas.

Mr. Ginwala.—I understand that they are making acid steel which is a somewhat different proposition.

Mr. FitzPatrick.—That of course would come into it. They buy pig iron from us and from Tatas too.

President.—Do you happen to know their process of steel manufacture?

Mr. FitzPatrick.—It is the acid process.

President.—Can they use the Indian pig for that process?

Mr. FitzPatrick.—They do it, I think.

President.—In paragraph 3 of your letter you draw our attention to the question about the Tata Company having saved Government Rs. 1,42,02,104 during the last two years on steel rails. I have not got a copy of the letter

which appeared in the "Englishman" before me. Are these rails for both Company and State managed Railways?

Mr. FitzPatrick.—Mr. Peterson only says the Government of India.

President.—That is because of the enormous interests the Government of India have in these Company managed Railways. As a matter of fact they are not under the control of Government. As regards the contracts which the Companies have made direct with Tatas, Government are not in a position to ask them to pay more. Government have made a concession as regards rails purchased for the State managed lines and have been paying prices above those fixed by the contract. So, it is not the full figure of Rs. 1,42,02,104 which is under Government control but some smaller figure. The requirements of the Railway Board are about Rs. 52 or 53 lakhs and the balance is the companies' saving.

Mr. FitzPatrick.—Even that would be quite a good thing because Sir R. D. Tata in his speech at the last annual meeting of the shareholders said that the strike had cost them 30 lakhs which had robbed them of their dividend. If they had got this Rs. 30 lakhs, and the Rs. 53 lakhs, they could have paid their dividend.

President.—The evidence we have had is that the price actually paid by the Railway Board was as nearly as could be estimated the price they would probably have paid if they had purchased the imported rails, so that as far as that is concerned, the concession has already been given, but is it your suggestion that in purchasing rails from the Tata Iron and Steel Co., Government should pay something more than the price of imported rails?

Mr. FitzPatrick.—No. If Government had given the full import price for the rails which you have just mentioned, *i.e.*,—Rs. 53 lakhs—the Company would have been a gainer by that amount.

President.—The price they actually received from Government was not I think an unfair rate.

Mr. FitzPatrick.—It was Rs. 53 lakhs below the price of the cheapest market.

President.—I do not know whether the point is really of great importance to us to pursue further. That is one of the ways in which the situation can be met to some extent, but it would not by any means cover the whole difficulty or anything like it.

Mr. FitzPatrick.—If the steel industry in India is prosperous, they would not ask for protection, and I take it that the steel industry is asking for protection because it is an infant industry and it is Government's intention to give it to them for that reason. The point is, is the duty going to be for revenue purposes or for protecting the steel industry? If it is going to protect the steel industry, then Tatas need not have to ask for protection—had they got the full market rate for rails. Tatas are asking for protection because they cannot carry on and cannot give a fair return to their shareholders.

President.—The point is, according to their statement, whereas the c. i f. price of imported steel was in the neighbourhood of Rs. 156—that was the figure they actually received from Government—they themselves could not produce at less than Rs. 165 in 1922 and 175 in 1923. Even if they got the open market price, they would incur a loss on their whole outturn of rails.

Mr. FitzPatrick.—How does that compare with the statement that they have saved Government Rs. 1,42,02,104?

President.—If Government had been buying on the open market, they would have to pay more.

Mr. FitzPatrick.—Therefore the c. i. f. price must have been higher than Tatas' selling price?

Mr. Ginwala.—Undoubtedly.

President.—There is no doubt about that. Had they not made these contracts and had they got the rate at which Government or railway companies could have imported rails, there is no doubt that in those two particular years, they would have received more.

Mr. FitzPatrick.—I think that Mr. Peterson has said during the last two years.

President.—The price in some of those years was exceedingly high. Take 1920-21. The c. i. f. price for the first quarter was Rs. 251, 2nd quarter Rs. 308, 3rd quarter Rs. 375 and 4th quarter Rs. 348. Nowadays there is no opportunity of getting those prices. That is how you got at that big sum of Rs. 1,42,02,104.

Mr. FitzPatrick.—In ordinary commercial practice, you have to take the good with the bad. If you don't, protection is not going to help.

President.—Still the practical question remains whether under the conditions as they exist to-day steel can be manufactured in India at all except at a very heavy loss, even supposing they obtain for every bit of steel they hope to produce the full price that is obtainable in the market.

Mr. FitzPatrick.—Therefore your conclusions are that Tatas cannot manufacture.

President.—I am not stating any conclusion. I am only explaining to you the point of Tatas' representation.

Mr. FitzPatrick.—Your suggestion is that Tatas cannot manufacture steel profitably at the present moment. Now two years ago—it was practically nearly 3 years ago—Messrs. Cammell Laird & Co. and Messrs. Bird & Co. went into the question and I don't think Birds' or Cammell Lairds' are the people to waste their time if they don't see the possibility of making a profit, and that was before there was any question of 33⅓ per cent. duty. It was the question of tightness in the money market more than anything else that has kept them back.

President.—We have also heard from them within the last few days. Their position was that they believed at present prices it could only be done so as to earn a very small profit.

Mr. FitzPatrick.—It could be done.

President.—But they could not under the present arrangements raise the necessary capital because the prospects were uncertain.

Mr. FitzPatrick.—That is a question of capital.

Mr. Ginwala.—Their position was this. They said that they could manufacture steel no doubt, but that they would not be making sufficient profit to attract capital. They wanted an extra protection over the present of 5 per cent. to 10 per cent. Therefore it looks as if one firm already in existence complains that it cannot manufacture steel, and that another firm which is contemplating going into it cannot launch into that industry because it feels that unless there was this additional protection it could not get any capital. That is the position.

Mr. FitzPatrick.—They could manufacture and they probably will manufacture.

Mr. Ginwala.—They say they cannot get the necessary capital.

Mr. FitzPatrick.—It has been said that you could not manufacture steel in India at a profit. These people have proved that they could manufacture steel at a small profit.

President.—If the price were to be the same as it is now for the next five years. It is also on the assumption that they get their capital.

Mr. FitzPatrick.—The whole thing depends on the capital which people will put in.

Mr. Ginwala.—After all, it is the main thing in an industry.

Mr. FitzPatrick.—They are asking for 10 per cent.

Mr. Ginwala.—They have not named any figure. They have tentatively put in 5 per cent.

Mr. FitzPatrick.—That is based on 10 per cent. return on their capital.

Mr. Ginwala.—On the ordinary capital.

Mr. FitzPatrick.—Yes. That is what they want.

Mr. Ginwala.—Under that, they say they could not get capital.

Mr. FitzPatrick.—Why is that? It is not because it is hard to make steel in India, but it is hard to get money in India.

President.—It is one of the questions we have to deal with in regard to the industrial development of India.

Mr. FitzPatrick.—That is practically what our answer is.

President.—What I suggest is this. There is a difference between the ascertained costs of steel actually manufactured and an estimate of future costs.

Mr. FitzPatrick.—But you know what Tata's costs are. You have had their costs and you must have gone into them.

President.—Tatas have given us, but not in any great detail, and all that Bird & Co. can tell us is that their expert people have gone into the question very fully.

Mr. FitzPatrick.—That is about all you can get.

President.—We cannot treat it with the same amount of importance as if it had actually happened.

Mr. FitzPatrick.—No.

Mr. Ginwala.—You are a Director of Messrs. Martin & Co.?

Mr. FitzPatrick.—I am a Director of the Bengal Iron Co.

Mr. Ginwala.—You don't represent Messrs. Martin & Co.?

Mr. FitzPatrick.—No.

Mr. Ginwala.—Your Board of Directors is at Home?

Mr. FitzPatrick.—Yes.

Mr. Ginwala.—It is called the Bengal Iron Co.?

Mr. FitzPatrick.—That is right.

Mr. Ginwala.—Has it a rupee capital?

Mr. FitzPatrick.—Sterling capital.

Mr. Ginwala.—What dividend did you pay last year?

Mr. FitzPatrick.—Last year it was 2½ per cent.

Mr. Ginwala.—What is the capital of the company?

Mr. FitzPatrick.—There is £1,574,033 in ordinary shares, £600,000 debentures and £500,000 preference shares.

Mr. Ginwala.—What interest do the preference shares carry?

Mr. FitzPatrick.—7½ per cent.

Mr. Ginwala.—Are they cumulative?

Mr. FitzPatrick.—No.

Mr. Ginwala.—When were these preference shares raised?

Mr. FitzPatrick.—When the company was reconstructed in 1920. It was originally the Bengal Iron and Steel Co.

Mr. Ginwala.—The Directorate did not change?

Mr. FitzPatrick.—No. It was only a question of increasing the capital.

Mr. Ginwala.—What was the original capital?

Mr. FitzPatrick.—I could not tell you off hand. I can send you a copy of the last balance sheet of the Bengal Iron & Steel Co.*

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* Not printed.

Mr. Ginwala.—You are not manufacturing steel. You are only manufacturing pig iron?

Mr. FitzPatrick.—That is right.

Mr. Ginwala.—Your capital roughly comes to about £8 millions?

Mr. FitzPatrick.—Yes.

Mr. Ginwala.—Since you reconstructed the company, have you put in any additional plant?

Mr. FitzPatrick.—Yes. We have raised a debenture issue.

Mr. Ginwala—That is purely for smelting?

Mr. FitzPatrick.—Yes, coke ovens, blast furnaces, etc.

Mr. Ginwala.—I am referring to the pig iron. Is it for the pig iron business or is it for the foundry?

Mr. FitzPatrick.—Partly for foundry. The principal items are furnaces and coke ovens.

Mr. Ginwala.—Have you got any plant since 1920?

Mr. FitzPatrick.—One new furnace.

Mr. Ginwala.—What is the capacity of that?

Mr. FitzPatrick.—It is 100 tons.

Mr. Ginwala.—What is the make of the furnace?

Mr. FitzPatrick.—English.

Mr. Ginwala.—You purchased it in 1921?

Mr. FitzPatrick.—In 1920-21.

Mr. Ginwala.—Would you mind telling us what it cost you?

Mr. FitzPatrick.—I cannot tell you. As a matter of fact I have not worked it out myself. It is so involved with other plant.

Mr. Ginwala.—Give us an approximate figure.

Mr. FitzPatrick.—I can send you that.*

Mr. Ginwala.—We do not wish to publish your cost of production of pig, if you don't wish, but we should be glad to have it for our own information.

Mr. FitzPatrick.—For your private information.

Mr. Ginwala.—We won't publish it.

Mr. FitzPatrick.—Right.

Mr. Ginwala.—With regard to blast furnaces, you keep separate costs. We should like to have them, if it would not be giving away your secret, for purposes of comparison.

Mr. FitzPatrick.—I can let you have them.*

Mr. Ginwala.—That will give us how much coke you use and what your overhead charges are.

Mr. FitzPatrick.—Yes.

Mr. Ginwala.—Do your work costs include depreciation, interest, etc.?

Mr. FitzPatrick.—Yes.

Mr. Ginwala.—Excluding profits?

Mr. FitzPatrick.—No.

Mr. Ginwala.—You have misunderstood our point about bringing down the cost of production to the world level. What you say of course is legitimate but the point of the letter was this. At present there is only one firm manufacturing steel. If protection to the industry is given, will other works be started and if they are started we wish to know whether they will not be compelled to bring down their cost owing to competition?

Mr. FitzPatrick.—It is rather difficult to answer because if you have a monopoly of one firm producing steel in India, likewise you have a monopoly of one firm buying steel, that is to say, the Government of India is the

* Not received.

biggest purchaser. The monopoly is rather the other way. We do not know whether we would be able to manufacture steel in India under such circumstances.

Mr. Ginwala.—That view is rather exaggerated. There are other purchasers.

Mr. FitzPatrick.—The big purchasers are the Government: the others are small.

Mr. Ginwala.—If the manufacture of steel was made remunerative by means of protection, we want to know whether it would attract further capital into the industry and whether in that way the price would come down, each firm competing with the other.

Mr. FitzPatrick.—Yes. They will compete with each other in so far as each made a profit.

Mr. Ginwala.—There is a tariff wall and within that there is some margin. If that margin is sufficiently attractive will not they compete?

Mr. FitzPatrick.—It all depends on what margin it will be.

Mr. Ginwala.—Your point is that your firm, so long as they are able to use money in more remunerative industries, won't put it into steel?

Mr. FitzPatrick.—Yes.

Mr. Ginwala.—If the country thought that the steel industry was of sufficient importance it would naturally want the industry to expand. Would it not?

Mr. FitzPatrick.—From which point of view are you speaking—from the industrial or from the national point of view?

Mr. Ginwala.—From the national point of view.

Mr. FitzPatrick.—If India got a return of 20 per cent. they will put their money into it.

Mr. Ginwala.—That is your point. It was not a question of bringing down the cost of production after giving protection. The point was that it should not be maintained at monopoly prices.

Mr. FitzPatrick.—They will be. What we have just been discussing will maintain monopoly prices because you are not going into the business unless you get a 20 per cent. return.

President.—If Tatas' survive, then no new entrants into the business could have a monopoly.

Mr. FitzPatrick.—You know the United States Steel Corporation of America. They found it necessary to make their concerns up into a combine.

Mr. Mather.—They do not create a monopoly.

Mr. FitzPatrick.—But what I mean is that in India it is going to be very difficult to create a steel industry to the same extent as you have got in England. There is the question of coke, coal and railway freight. That is looking very much into the future and five or ten years' protection will not prove much one way or the other.

Mr. Ginwala.—There is no question of 5 or 10 years as the President pointed out. The Legislature cannot bind itself for ever but if the country as a whole turns protectionist as you assume that it does, is not that sufficient guarantee to any capitalist?

Mr. FitzPatrick.—The question has got to be considered from a different standpoint altogether. We have been discussing this point with the idea of fostering an industry—not for revenue purposes.

Mr. Ginwala.—Supposing the Legislature say that India must produce its own steel, and therefore the steel industry should be protected to the extent that it would be possible for it to compete with the foreign manufacturer.

Mr. FitzPatrick.—There are other things which depend on steel. For instance, the development of our collieries. The machinery there is nearly all steel and if you put 33⅓ per cent. duty on that, it is going to increase the

raising cost of coal and therefore the cost of coke and again the cost of pig. It would affect you all the way through. But if you have protection all round for the whole country it does not affect us one way or the other.

Mr. Ginwala.—You say that if protection is given to steel, the price of coal will go up and therefore the cost of production of steel will go up. If the Government of the day has pledged itself to protecting steel, and they find that by protecting steel the cost of coal goes up and affects that of steel again, will they not be expected to make the necessary investigation and do what is necessary?

Mr. FitzPatrick.—There are pipes, railway sleepers, etc. If you are going to put up the cost of steel it is going to affect the price of these and we will find that our market in India for castings lost and castings will be imported. That is why I say a tariff all round.

Mr. Ginwala.—That is a different proposition. You must assume of course that if Government undertakes protection of steel, it undertakes also to provide against whatever consequences that follow. Therefore that question does not arise.

Mr. FitzPatrick.—That is all right. But we are rather doubtful at the present moment for what reason this duty should be proposed for steel.

Mr. Ginwala.—It cannot be that Government should protect steel and forget other interests.

Mr. FitzPatrick.—If you are going to protect steel, do you not think that you should also protect pipes and other castings?

Mr. Ginwala.—I will presently ask you about that. It does not come strictly within the scope of our enquiry, but that does not necessarily mean that you have no means of protecting yourself. That is for you to consider.

Mr. FitzPatrick.—Do you mean that we should now start a propaganda for protecting our own industries as in the case of steel?

President.—You have a little margin to go on.

Mr. FitzPatrick.—We do not ask for protection because we run our show on economic lines.

Mr. Ginwala.—You suggest that the Government may take over a concern like this. Are you a great believer in Government as an agency for conducting business? Unless Government can produce at a smaller cost than Tatas, it would cost the country a good deal more. Why do you suggest that Government should take up a business proposition? You suggest that this difficulty could be got over by Government taking it up. What you are suggesting appears to be a more expensive course for the production of steel by Government may cost more than it may if produced by private enterprise.

Mr. FitzPatrick.—It will if they run it on the same lines as it is at present run.

Mr. Ginwala.—In any case unless Government can produce steel at a smaller cost of production than Tatas, what would be the advantage? If Government lose as Tatas state they are losing, the cost to the country won't be any the less?

Mr. FitzPatrick.—If you do that it would not bring in all these things which I have mentioned, high freights, etc.

Mr. Ginwala.—If Government loses money on the manufacture of steel, it has got to make good that loss somehow or other. It must find the money from other sources.

Mr. FitzPatrick.—There are two ways of taxation, direct and indirect. This would come under direct taxation.

Mr. Ginwala.—The form of your proposal of taxation is indirect taxation. You could not put it as direct taxation.

Mr. FitzPatrick.—In that case all the loss that would be incurred in making steel would probably not be $\frac{1}{16}$ anna in the rupee which would be put as direct taxation.

Mr. Ginwala.—Would you suggest that if we found that Tatas were losing Rs. 1 crore a year, Government should be authorised to raise that crore by direct taxation and to hand it over to Tatas?

Mr. FitzPatrick.—No.

President.—You prefer Government as a competitor to Tatas?

Mr. FitzPatrick.—Yes.

Mr. Kale.—Because less efficient?

Mr. Ginwala.—I think on this point you said that there are arguments against the possibility of the steel industry ever taking shape in this country Some other firms have given rather a different opinion.

Mr. FitzPatrick.—Not my firm—Bengal Iron Co.

Mr. Ginwala.—But Martin & Co. are the managing Agents of your company, and their opinion is different from yours.

Mr. FitzPatrick.—There are other interests involved which had to be considered.

Mr. Ginwala.—The house finds itself divided against itself?

Mr. FitzPatrick.—As far as we are concerned they are satisfied, however much they dislike it.

Mr. Ginwala.—The managing Agents of the Company are for protection.

Mr. FitzPatrick.—They have got their other interests to consider. They simply sign for us.

President.—Martins' responsibility is merely as an agent carrying out the orders of the Principal?

Mr. FitzPatrick.—Yes.

Mr. Ginwala.—Martins think that this industry fulfills the conditions which you say are not fulfilled. Do you look upon the steel industry as a very big industry, or as an industry in which the country as a whole is interested?

Mr. FitzPatrick.—The country as a whole is interested in the extent of giving employment.

Mr. Ginwala.—As an industry required for national defence, as an industry in which a lot of national money has been invested, and as an industry on which other industries are dependent at present, would you not describe it as a national industry?

Mr. FitzPatrick.—I cannot say. If an industry is involved, would not that affect other industries?

Mr. Ginwala.—The Tata Company's case is that unless protection is given they cannot manufacture steel. If it came to that, would you still object to the steel industry being protected?

Mr. FitzPatrick.—We should maintain that probably steel can be manufactured in this country at a profit, without protection.

Mr. Ginwala.—It is the national point of view I am putting you for the moment. There is an industry in which the people have invested roughly Rs. 20 crores. Then there are subsidiary industries dependent on it which have invested several crores. Then there is the coal industry which is dependent considerably on the prosperity of the steel industry: then there are railways also having some interest and various other industries. Having regard to these factors, will you still be opposed to protection being granted to this industry if we are satisfied that it cannot go on unless protection is given?

Mr. FitzPatrick.—It has to be looked at in this way, is the remedy going to be worse than the disease.

Mr. Ginwala.—Do you think that the effect would be such? Would you rather have the industry smashed?

Mr. FitzPatrick.—The result of a duty would be that industries other than steel industry are going to suffer.

Mr. Ginwala.—How do you know?

Mr. FitzPatrick.—I cannot say because it has not happened. If you are going to increase the cost of an article to your colliery men by putting an import duty of 33⅓ per cent. on steel, you are going to increase the cost of coal and so on.

Mr. Ginwala.—These general opinions are very valuable but they cannot solve our difficulty. Have you worked the additional expenditure that would be necessary in the case of the collieries if the duty on steel is increased from 10 to 33⅓ per cent.?

Mr. FitzPatrick.—No. We have not worked that out.

Mr. Ginwala.—How do you expect us to accept your argument unless you have something to substantiate it?

Mr. FitzPatrick.—If our colliery plant cost us now £100,000 and supposing we open another colliery on conditions identical, the major portion of the plant being steel, the duty on steel is increased to 33⅓ per cent., we come to the conclusion that it is going to cost us 23⅓ per cent. more.

Mr. Ginwala.—Why should it raise the cost of coal so much, if you would be able to find for it a market?

Mr. FitzPatrick.—We have no means of knowing how it will affect the market.

Mr. Ginwala.—Suppose the price of coal is Rs. 9 and the duty on steel is raised to 33⅓ per cent., and the cost of raising the coal goes up by about Re. 1. Your market price comes to Rs. 10. We cannot assume that at Rs 10 you cannot get any market.

Mr. FitzPatrick.—If we could not sell it on the market at that price the increase of cost must come out of our profits.

Mr. Ginwala.—That is true. The point we have to satisfy ourselves about is: that it would first of all increase the cost of production. You have given us a general argument, but it does not necessarily follow. In the first place you must satisfy the Board that if the price of steel were raised so high, you would not have a market except at a loss or unless you make up the difference from your own pocket.

Mr. FitzPatrick.—I see you idea is this: "If you have 33⅓ per cent. more to pay for your plant, it does not necessarily mean that you are going to suffer as you have no evidence of that."

Mr. Ginwala.—We want to find some solution for this particular industry. You have put forward some general arguments which must be substantiated before they are accepted as correct. Can you work out any figures to show what the effect of the duty would be?

Mr. FitzPatrick.—What the general cost would be taking it at the market price to-day? We can do that.

Mr. Ginwala.—Take a typical colliery. You give us the cost of raising coal this year. Then you will give us the cost if the duty is raised to 33⅓ per cent. Will you be able to do that?

Mr. FitzPatrick.—It does not mean only coal: it means everything. The question is so involved and so complicated that you cannot take one case and upon that say that it will be Re. 1 on coal and leave it at that.

President.—You have given a general argument, and as an example take a colliery and see what it comes to. It has not been proposed to the Board by any one that any kind of steel should be protected which is not manufactured or the manufacture of which is not about to commence in India, that is to say, any machinery which is not made in India. There is no proposal to protect it, *e.g.*, electrical machinery. So far as I know it is not proposed to make such machinery here, so that a certain amount of steel in your colliery would remain just as it is.

Mr. FitzPatrick.—Take, for instance, the two head shafts, they are all steel. Tubs are all steel, underground rails are all steel and haulage cables are steel.

Mr. Mather.—Haulage cables are not made in India and there is no immediate prospect of these being made in India.

Mr. Ginwala.—The general position is that so far as the underground machinery is concerned, there is a considerable amount of steel of the kind that is manufactured or about to be manufactured in this country, but a good deal of the aboveground machinery such as boilers, electrical plant, engines and so on, which is a substantial proportion of the total equipment, is not manufactured here.

Mr. FitzPatrick.—Boilers are manufactured in this country.

Mr. Mather.—Boiler plates are not manufactured in India.

Mr. FitzPatrick.—I think it is Tata's intention to make plates.

Mr. Ginwala.—The point is that you have got to be very careful before you arrive at a conclusion that any additional protection to the steel industry would mean a corresponding increase in your cost, because, as the President has pointed out, the question before us is the protection of the kind of steel that is manufactured or about to be manufactured here.

Mr. FitzPatrick.—In that connection comes the question of transport of coal from collieries to the works.

President.—What we really asked you to do was to take the case of a colliery which has been recently equipped. Find out what the figures in the capital cost would be if the higher duty were put on those kinds of steel manufactured in India or about to be manufactured in India, work out the increased depreciation and profit on capital and then taking the outturn of the colliery work out what the increase will be per ton.

Mr. FitzPatrick.—You will agree with me then, Mr. Ginwala, however small, the cost will be more.

Mr. Ginwala.—Of course, additional duty means additional cost to somebody.

Mr. FitzPatrick.—You simply want to know the figures in this special case, but I think you should take into account the general effect.

President.—The Board appreciate the importance of that, the general increase in cost, and how that increased cost would affect industries and we must investigate it as closely as we can. We have already asked the Railways.

Mr. Ginwala.—I think you are interested also in a certain amount of Foundry work. You go in for iron castings? Is that likely to be directly affected by any increase in the cost of steel?

Mr. FitzPatrick.—Indirectly, yes.

Mr. Ginwala.—Of course, as I told you a little while ago, the question of iron is not before us so that protection of iron castings is not before us. You do not make any steel castings?

Mr. FitzPatrick.—No.

Mr. Ginwala.—You have been paying 7 per cent. dividend?

Mr. FitzPatrick.—It is possible to make iron at a profit in India.

Mr. Ginwala.—I want to put a general question. With regard to your castings, do you have any difficulty in selling your castings merely on the ground that they are of Indian make?

Mr. FitzPatrick.—Our castings are made to British Standard specification.

Mr. Ginwala.—Do you always get the same price as for English castings, quality being the same?

Mr. FitzPatrick.—We have to sell at a little less. People who buy our castings say ours are as good as the Home product.

Mr. Ginwala.—In the case of castings you have 10 per cent. duty at present, and that you find sufficient for your present purposes?

Mr. FitzPatrick.—It has come on so recently and with the fall in prices we had, I cannot say if it has benefited us.

Mr. Ginwala.—You are now much better off—from 2½ per cent. duty there is a rise to 10 per cent.

Mr. FitzPatrick.—But the Home prices have come down: that more or less counterbalances the protection which you have put on.

Mr. Ginwala.—In your general business do you have to import much steel?

Mr. FitzPatrick.—Not except for our construction. We are now building another new furnace. We are not in the steel business.

President.—The steel used in the furnace would probably come in as machinery.

Mr. FitzPatrick.—Yes.

President.—It would come under the new definition, that the stuff must have been given a particular shape in order to be used for a particular purpose?

Mr. FitzPatrick.—Yes.

Mr. Ginwala.—In your letter you say "Without being put in possession of the actual figures of cost of production compared with sale prices we feel we are unable to give the Board a considered opinion," but you have got the figures?

Mr. FitzPatrick.—Since we wrote to you we have got that. I only got it yesterday and have had no time to study the figures.

Mr. Ginwala.—Your opinion would have been valuable.

Mr. FitzPatrick.—The Tata Iron and Steel Co. are charging iron to themselves at a given figure and we do not know what is the difference between that given figure and the actual cost of manufacture.

Mr. Ginwala.—That is the actual cost of material in their case.

Mr. FitzPatrick.—Yes, but if, for instance, Tatas put it at Rs. 45 a ton which is less than market price—

President.—If you could send us any further information after you have studied the figures it would be useful.

Mr. FitzPatrick.—I should have to get the steel people to do that.

Mr. Ginwala.—This has also to be borne in mind. It is the total cost in which are included depreciation, interest and overhead charges on the pig as well in the coke but it is not the market price. The cost in the figures you are referring to includes overhead charges.

Mr. FitzPatrick.—We do it in a different way.

Mr. Ginwala.—Do you take the market price?

Mr. FitzPatrick.—We take the market price. For instance, we charge our pig iron according to the market price. If Tatas' did that, the cost of protection would go up a good deal more.

Mr. Ginwala.—They are competing against your pig iron?

Mr. FitzPatrick.—That is so.

Mr. Ginwala.—It is a legitimate complaint to make that they compete against you in pig iron. The reason why you have to compete against them is that they have more pig iron than they can use in manufacturing steel. If steel is protected their surplus will be smaller and you will have less competition. How will you regard it from that point of view?

Mr. FitzPatrick.—You said just now that when protection came it would attract capital in order to go into the steel business. I take it that if Tatas as business people could get a market for pig iron they would not restrict the sale of their pig to oblige us.

Mr. Ginwala.—We are assuming that if they are to get protection it is to enable them to produce steel. When they do succeed in manufacturing steel it would follow that they would absorb most of the pig that they are likely to manufacture. At present of course they have not reached their full output and naturally, as you know, you start first by selling your coal, and then you make pig iron and sell it after using as much as you can.

Now, if they get protection then their competition in pig will disappear. How would you look at it in that case?

Mr. FitzPatrick.—They have organization and the plant to produce pig iron. They are producing pig and have a surplus that will be reduced to 30,000 tons or some such figure in the near future if pig iron market is such as there is always a profit to be made in selling pig. Do you think Tatas would refrain from making pig iron apart from manufacturing steel just to oblige us?

President.—The assumption has been made that the increased duty will render steel quite sufficiently profitable and when they get their full production of steel they would absorb almost all the pig they could make.

Mr. FitzPatrick.—We take it that this 30,000 which they sell as surplus, if they sell that at a good price owing to reduced production on the market, what is to prevent them from putting another furnace simply for pig iron? They have got the whole organization, they have got collieries, their ore, their limestone, everything is there and therefore if they say 'we will put in another 30,000 tons,' why shouldn't they?

Mr. Ginwala.—You may just as well say if they make a profit on textiles, why go in for steel? .

Mr. FitzPatrick.—These two are allied industries. Do you suggest that with the reduced output the prices will be better and therefore we will not suffer? With protection the output of pig iron is going to be reduced and therefore the prices will be greater.

Mr. Ginwala.—There will be less competition.

Mr. FitzPatrick.—Therefore the prices will be greater.

Mr. Ginwala.—Is it not better for the pig iron business that steel should be protected?

Mr. FitzPatrick.—And these people will still go on making pig iron.

Mr. Ginwala.—In this argument there is not much because if steel gets protection there will be little surplus pig iron left and it can hardly affect you.

Mr. FitzPatrick.—30,000 tons which Tata Co. have as surplus is the half consumption of India.

Mr. Ginwala.—As you perhaps know they have got long term contracts which will absorb all their 30,000 tons.

Mr. FitzPatrick.—Therefore by protection you suggest that the price of pig iron will go up. Assuming that pig iron goes up by Rs. 5 why should not the Tata Co. start making more pig?

Mr. Ginwala.—I am talking of the present state of affairs.

Mr. FitzPatrick.—Whatever way you look at it—if you give them protection, it means that they can sell pig at a much cheaper rate.

Mr. Ginwala.—You may manufacture steel and make a bigger profit.

Mr. FitzPatrick.—We will do that as soon as the opportunity comes, if you are going to give us the same facilities.

Mr. Ginwala.—Is it your view that Government ought always to purchase in the country and at the usual current price or do you also suggest that Government should pay preferential price to locally manufactured articles?

Mr. FitzPatrick.—That is for Government to decide. If it is decided that the steel industry is of national importance I say 'Yes' and if not then 'No.'

Mr. Ginwala.—You would not apply that argument to industries other than of national importance?

Mr. FitzPatrick.—No.

Mr. Ginwala.—We have had it in evidence before us that Government should as far as possible buy in the Indian market.

Mr. FitzPatrick.—It is natural.

Mr. Ginwala.—You do not suggest that Government should do that?

Mr. FitzPatrick.—I don't suggest that Government should buy at a higher price. It all comes back on us in the way of taxation sooner or later.

Mr. Ginwala.—In giving this cost of production of one blast furnace you will probably take the coke at your market price?

Mr. FitzPatrick.—Yes.

Mr. Ginwala.—That will not help us.

Mr. FitzPatrick.—You want net cost?

Mr. Ginwala.—Yes, net cost without profit, *plus* your depreciation charges.

Mr. FitzPatrick.—We will give you that.*

Mr. Ginwala.—Are you familiar with the coal aspect of your business; would you be able to give us figures or raising of coal and so on?

Mr. FitzPatrick.—I can get that for you—the cost of raising from 1916 to date.*

Mr. Ginwala.—And the market price during that period.

Mr. FitzPatrick.—The Railway Board fixes it.

Mr. Ginwala.—The raising cost will help us more. We want to compare the cost of raising of different firms.

Mr. Kale.—The impression your evidence has created on my mind is that you are not so much opposed to protection as anxious that protection should be more thorough-going?

Mr. FitzPatrick.—Complete free trade or complete protection, that is what we want.

Mr. Kale.—You take this view because you feel that when new companies desire to go in for steel manufacture, they would like to have some assurance as to the future policy of the Government; and firms are not likely to go into this business as they will not be able to raise capital at the present moment, and people will not invest in this new industry because they are not sure that sufficient profit will be made?

Mr. FitzPatrick.—Yes, as things stand at present; but mind you, as far as we are concerned, we have not gone into the question of making steel for the last three years. If we do, our firm may get the money, but it does not apply generally, I am only speaking of the new firms concerned.

Mr. Kale.—Is it not a general proposition that unless investors are assured of a certain return, they will not be able to put their money into the steel business?

Mr. FitzPatrick.—They will not, unless they are assured of a return on the capital invested.

Mr. Kale.—If they are assured that the policy of protection once adopted will continue, then there will be no difficulty?

Mr. FitzPatrick.—That depends on whether or not the firm putting up the proposition can with reasonable correctness say that their profit will be so and so.

Mr. Kale.—Why do you doubt that the policy of protection will be continued?

Mr. FitzPatrick.—I would have no doubt at all if it were for revenue purposes. But if it is for the purpose of protecting only this one industry, then it is for Government to settle the limit.

Mr. Ginwala.—There is no question of one industry. That we are enquiring into one industry does not necessarily mean that, if the policy of protection is accepted, it will be given to only one industry.

Mr. Kale.—Do you think that when a duty is for revenue purposes it is permanent whereas a protective duty is not likely to be permanent?

Mr. FitzPatrick.—That is my personal opinion.

* Not sent.

Mr. Kale.—Don't you know of instances of even revenue duties having been abolished or materially reduced? Import duties on cotton cloth in India were at one time abolished and then they were once more put on at 5 per cent.; then they were reduced to 3½ per cent. and again raised to 7 per cent. and recently to 11 per cent. They may again be reduced to 7½ per cent. for aught we know. Even revenue duties are altered like that according to circumstances, and there is no definite element of permanency even in those duties, whereas if they are protective duties they are likely to be altered only in view of changed circumstances?

Mr. FitzPatrick.—That is possible, but you have only given me an instance in India.

Mr. Kale.—Even in the matter of revenue imposts, when the political policy of Government changed there might be a radical alteration?

President.—In the United States of America where the revenue element was very much present in their duties there have been constant changes in the tariff according to the party that came into power and according to the state of the national finance.

Mr. FitzPatrick.—Yes, and also vested interest.

Mr. Kale.—It is the protective element that on the whole proved a steady factor during and after the civil war?

Mr. FitzPatrick.—That is right. My point is that the form of indirect taxation is an extravagant form of taxation.

Mr. Kale.—I hope you realize that in the enquiry that we are making we have to enquire into the protection of not a particular firm but of the steel industry generally, so that when the protective tariff is levied, if it is levied at all, and the existing steel industry is protected, naturally it will follow that until the time that India is able to produce all the steel that she wants, protection of steel will continue and other firms which are coming into the business will be benefited by the protection and there will be room for two, three or even four companies in this country?

Mr. FitzPatrick.—I do not know the exact figure, I am speaking from memory, but I think the consumption of steel in India at present is about 1¼ million tons.

Mr. Kale.—That is the import?

Mr. FitzPatrick.—Let us say 1¼ million.

Mr. Kale.—Tatas will be producing 450,000 tons and the consumption of India will go on increasing. It is bound to increase as it has increased in the past and elsewhere and in the course of the next 10 years there will be room for three, four or even more works. There is no reason why India should not be a large steel producing country and why there should not be room for a number of large steel works in this country.

Mr. FitzPatrick.—When you are talking of India as a steel producing country, you mean for exports?

Mr. Kale.—First for our own consumption and later on for export.

Mr. FitzPatrick.—Two or three firms could supply the Indian demand and in order to do that do they compete one with the other.

Mr. Kale.—That will always happen.

Mr. FitzPatrick.—My point is that since the war the amount of steel producing plant all over the world has increased and the consumption has gone down.

Mr. Ginwala.—It has; consumption is still below production.

Mr. Kale.—We hope that things will improve in the near future and then there will be abundant scope for the steel industry. It is not the case of this or that firm that is being considered. It is felt that in the next 20 years there will be room for half a dozen steel works in the country. If the policy of protection is once started, it cannot stop; and if one firm receives protection to-day, others will receive similar protection so that India's ability to produce will increase?

Mr. FitzPatrick.—Yes.

Mr. Kale.—You point out that an import duty is likely to handicap a number of industries in India. But if Government were to raise all the money it wanted for assisting the steel industry in other ways and then found that other sources of revenue were impossible, would you consent to an increase in the income tax, for instance?

Mr. FitzPatrick.—I naturally object to that.

Mr. Kale.—The Government of India have already tapped all its sources and it may endeavour to increase the income tax. Would it be advantageous to industries?

Mr. FitzPatrick.—In that case the industries, by being bigger, will give Government more revenue, so that one balances the other. In the case of smaller firm it will be so small that it will not be felt by the people as protective duty would.

Mr. Kale.—It may come to something like 2 crores of rupees.

Mr. FitzPatrick.—It is possible to grow grapes on the top of mountains but why do it?

Mr. Kale.—As regards the last point which we had been discussing, you say that a larger quantity of pig iron may be produced by the Tata Co. for instance, and that will be a disadvantage to you?

Mr. FitzPatrick.—A great disadvantage to us.

Mr. Kale.—Does it not strike you that if the steel companies go in for a bigger production of pig iron, some of their steel machinery will remain idle, so that what they were going to gain on the one hand they will lose on the other?

Mr. FitzPatrick.—My argument was that if there was a profitable market there was no reason why they should not have another blast furnace, apart from that they have for the manufacture of steel, for making pig iron?

Mr. Kale.—Will it help them if instead of producing steel they went in for pig iron?

Mr. FitzPatrick.—No, because what they make on the steel they can afford to lose on the pig iron.

Mr. Kale.—In that case the advantage is not likely to be considerable?

Mr. FitzPatrick.—But it is a disadvantage to us however small.

Mr. Kale.—They will not utilize their steel machinery to the fullest extent and then start additional manufacture of iron; that is what you mean?

Mr. FitzPatrick.—That is the temptation.

Mr. Kale.—You have got the same advantage.

Mr. FitzPatrick.—They have the advantage of the 23 per cent. duty over us throughout.

Mr. Kale.—What Government proposes as additional duty will just allow them to have a very small margin of profit. Government is not going to impose a duty that will give them 50 per cent. profit.

Mr. FitzPatrick.—As far as I see, Mr. Peterson was asking for 15 per cent. return. People will not invest in this country unless there is a fair margin of profit.

Mr. Kale.—I hope there will be a Tariff Board 5 years hence and Government will ask them to go into the question of profits, so that there will be no difficulty like that you are anticipating.

Mr. FitzPatrick.—If it is a good source of revenue to the Government and the steel companies are satisfied with the profits they are making, these two interests will keep up protection and there will be nobody asking for it being taken off.

Mr. Kale.—But new firms will come into the business and then there will be competition and profits will be reduced?

Mr. FitzPatrick.—It is a paradox. You are creating a thing so that it pulls down what you created before. You are tempting people to go into this business by assuring them of a safe return on their capital for say 15 years, but the moment they are in you pull the ladder from under their feet. You must remember that people who invest money do so primarily for their own benefit and not for the benefit of the country, whatever their nationality may be.

President.—You are overlooking this fact that, as soon as competition sets in, people will get their prices compared before they buy, and that is a very strong incentive to reduce the cost of production.

Mr. FitzPatrick.—The question is can we reduce the cost of production? I see that in one of the notes the Tata Co. say that they hope to reduce the cost of production in various ways, but so far the tendency has been the other way and if the railway freights are going to rise more, however small, it is not going to bring down your cost of production.

Mr. Kale.—Don't you see the possibility that if three or four firms go on making steel and then arrive at an agreement that the firms will devote themselves to the manufacture of only particular kinds of steel and in that way India will have the same advantage as other countries have?

Mr. FitzPatrick.—That is, the whole of it is to be a big individual organization each firm making particular sections? It is good for them both from the production point of view and the profit point of view.

Mr. Kale.—You cannot have an organization like that unless you have the industry.

Mr. FitzPatrick.—But apart from protection there are other difficulties as regards starting a similar corporation as exists in America, or in England. Labour, for one, is extremely difficult in India. The Indian labourer is really not an industrial worker. Our labourers practically in the whole of our works turns over once every 12 months.

Mr. Kale.—The difficulties are not such that they cannot be overcome absolutely. That is the feeling in the country.

Mr. FitzPatrick.—The difficulties can be overcome. I am not saying that it is impossible to overcome them. I am only looking to the immediate future.

Mr. Kale.—Big things grow only from small things?

Mr. FitzPatrick.—Yes.

Mr. Mather.—You were not connected with the Bengal Iron Co. at the time when it was making steel?

Mr. FitzPatrick.—No.

Mr. Mather.—Were you ever directly connected with any other company that was manufacturing steel?

Mr. FitzPatrick.—No.

Mr. Mather.—Have the Bengal Iron Co. studied the question specially with a view to starting a new steel works since you joined it?

Mr. FitzPatrick.—No. But just when I joined it, there was a proposal to start a steel works and a rupee company out here. Amongst other things, a site was chosen but the tightness of the money market has shelved it for the present.

Mr. Mather.—You have not specially studied that question?

Mr. FitzPatrick.—No.

Mr. Mather.—You have not personally studied the cost of a steel making plant and the cost of its operation at any time?

Mr. FitzPatrick.—No.

Mr. Mather.—If you were not with the company at that time, probably you might be at a disadvantage in answering my question, but I thought that

you might be able to throw some light on this. Do you know why in 1902 your Company went in for such a small plant with an output of 20,000 tons without, so far as any information is available at present, having made any arrangements by which this 20,000 tons should be confined to a comparatively few articles, so that they could be produced economically?

Mr. FitzPatrick.—It may have been a mistake to have started with such a small plant.

Mr. Mather.—I think that it was very much less than an economic unit at that output.

Mr. FitzPatrick.—Yes, but it was more in the nature of an experiment than anything else.

Mr. Mather.—Do you happen to know whether the company at that time endeavoured to get Government or some large consumers to promise some definite contracts in advance?

Mr. FitzPatrick.—The present chairman of our company came out to India before taking up the chairmanship of this company and he saw the steel works and realised what was going to happen. He then went to the Railway Board.

Mr. Mather.—That was after the works had been built up?

Mr. FitzPatrick.—Yes. He said to the Railway Board "I should like some support. Could you give us some idea whether we could get larger orders for certain sections which we are producing." The reply of one of the Members of the Railway Board was "we cannot help you in any way but our advice to you is that you should advertise your steel along the railways of India in the same way as you advertise tea." That is the kind of help we got from the Railway Board.

Mr. Mather.—Have you any record as to the size of the plant? I take it that you were making steel in open hearth furnaces?

Mr. FitzPatrick.—They are all in there (in the books handed to the Board for their perusal).

Mr. Mather.—Does that contain any information about the plant?

Mr. FitzPatrick.—I am afraid not, but you can get an idea of the process.

Mr. Mather.—We may take it that any general opinions that you have expressed about the possibility of making steel commercially satisfactorily in India could not reasonably be based on the experience of your company in 1902?

Mr. FitzPatrick.—No.

Mr. Mather.—The original policy was not a good one and it was not started in the way in which it would be started now?

Mr. FitzPatrick.—No.

Mr. Mather.—The fact that that experiment failed in 1902 is not really of much value in considering the possibilities of the steel industry in India?

Mr. FitzPatrick.—I have said that it is not very much a guide to our present day conditions.

Mr. Mather.—You tell us that it is doubtful whether it is possible to create in India a steel industry in any way comparable to the same industry of other countries; then you refer to other difficulties such as limited coke, distance and transport—practically all of which apply almost entirely to the production of pig iron. The evidence before the Board is, I think, fairly conclusive that the production of pig iron can, if there is a sufficient market for it, be carried on on a very large scale in India.

Mr. FitzPatrick.—Yes.

Mr. Mather.—With satisfactory commercial results if the market is there, so that I don't feel disposed to accept the drawbacks that you mention as applied to the steel industry.

Mr. FitzPatrick.—I take it that if a new steel company is coming in, it will first of all produce pig iron?

Mr. Mather.—Necessarily.

Mr. FitzPatrick.—The result must be with these three companies which are in existence and a possible fourth, it will be extremely difficult.

Mr. Mather.—Even to produce pig iron?

Mr. FitzPatrick.—Yes. In the steel industry the first process is pig iron: that is what I have in mind. These difficulties will now apply to any firm that will simply come in for the purpose of making pig iron.

Mr. Mather.—The evidence seems to show that India will be capable of producing, say, nearly 2 million tons of pig iron probably more cheaply than it can be produced in any other important steel producing country.

Mr. FitzPatrick.—2 million tons a year!

Mr. Mather.—Yes. Taking the Tata Iron and Steel Co., Bird and Co's scheme, the Indian Iron and Steel Co. and your own, it comes somewhere near that. I think we may take it that there are great facilities for producing in India nearly 2 million tons of pig iron and it is very much open to argument whether these particular difficulties would seriously restrict the bigger production. They might. But limiting ourselves for the moment to that, the 2 million tons of pig iron can be produced economically, but it cannot be sold in India as pig iron.

Mr. FitzPatrick.—No.

Mr. Mather.—If the Indian demand for steel could take up a very large proportion of that pig iron, it would be converted into steel.

Mr. FitzPatrick.—Yes.

Mr. Mather.—In India we can get to the pig iron stage and produce satisfactory commercial results.

Mr. FitzPatrick.—Yes, the existing firms can.

Mr. Mather.—What I would like to know is this: what particular difficulties do you think stand in the way of converting that pig iron which is made more cheaply in India than in any other country, into steel, which is the form in which India wants the material?

Mr. FitzPatrick.—It is a question of necessary capital. In the meantime we have got a very profitable business of converting the pig iron into castings. If we find on study that it will pay us to convert the pig iron into steel, we naturally would do it.

Mr. Mather.—You don't see any insuperable difficulties in the way of producing from this possible 2 million tons of pig iron a production of steel which is large compared with the Indian demand?

Mr. FitzPatrick.—It is only a question of what return on the capital the production of steel will give us. If we realise that it is going to pay us a fair return, we will do so.

Mr. Mather.—The present difficulties in steel production may be of more or less a temporary nature connected with the starting of an industry which has not been attempted on a large scale in this country before.........

Mr. FitzPatrick.—You don't call the lack of coking coal a temporary difficulty. It is a permanent one.

Mr. Mather.—Coking coal, the difficulty of finding sites with sufficient water, the distance of ore deposits and limestone—these are all absorbed in the production of pig iron. If you are going to increase your output of pig iron, that means, you have surmounted the great bulk of these difficulties. I now come to the second stage—that is, the stage of converting the pig iron into steel.

Mr. FitzPatrick.—As I said, we have not gone into the question of converting pig iron into steel. Therefore I cannot give you any opinion except-

ing that our Home Board is against putting down a steel plant at the present moment.

Mr. Mather.—You find a better use for your iron?

Mr. FitzPatrick.—Yes.

Mr. Mather.—The experience of your Company from 1902 to 1905 does not suggest any unavoidable difficulty in the conversion of pig iron into steel?

Mr. FitzPatrick.—No.

Mr. Mather.—So that you don't see any permanent difficulty?

Mr. FitzPatrick.—Everything has proved that it is possible to manufacture steel.

Mr. Mather.—Apart from these particular results, the impression left with your Company is not that there are great difficulties in the way which cannot be overcome?

Mr. FitzPatrick.—That is right.

President.—Supposing the Tata Iron and Steel Co. was unable to go on and passed into the hands of the Receiver on behalf of the debenture holders, is it not probable that the manufacture of steel would be discontinued and the manufacture of pig iron continued on behalf of the debenture holders?

Mr. FitzPatrick.—That would hardly take place, if it goes into liquidation.

President.—The debenture holders have got the mortgage, and it would be for them to say what was to be done.

Mr. FitzPatrick.—There are certain financial houses of reputation who would come to their rescue. If it was a case of reconstruction on sound lines, the Tata Iron and Steel Co. would still continue to make steel. We have no fear as far as that is concerned.

President.—The Kirtyanand Iron and Steel people have asked that the duty on pig iron should be entirely removed. They make steel castings from imported pig iron. We asked the representatives of both the Tata Iron and Steel Co. and the Indian Iron and Steel Co. and they said that it was a matter of indifference to them whether the duty now imposed on pig iron remained or was taken off. I do not know whether you would be prepared to express any opinion on behalf of the Bengal Iron Co.

Mr. FitzPatrick.—The consumption in India of pig iron is so small that most of it has got to be sold at a low figure in foreign markets. As far as we are concerned, it would make very little difference one way or the other.

No. 78.

Calcutta Port Trust.

WRITTEN.

Statement I.—Original representation of the Chairman, Port Commissioners, Calcutta, to Tariff Board, dated 13th November 1923.

In reply to your letter No. 388, dated the 9th October 1923, forwarding copies of two letters addressed to the principal Railway Companies in India and asking for the views of the Commissioners for the Port of Calcutta on all or any of the points raised therein, I beg to inform you that this question was considered by the Commissioners in Meeting on the 12th instant and I now reply in accordance with their views.

2. The issues placed before the Port Commissioners are understood to be as follows :—

(a) the advisability of imposing an enhanced import duty of 33⅓ per cent. on steel other than fabricated structural steel, or as an alternative, on all structural steel, including that which is fabricated, and

(b) the proposed grant of bounties in favour of Companies manufacturing wagons in India, which would increase the price paid for such wagons to certain figures which they state would enable them to compete with imported wagons.

3. As regards the first issue, the position of the Port Commissioners is necessarily different in some important respects from that of Indian Railways. Having regard to the extent of their operations, the Port Commissioners utilise steel for an unusually large number of purposes and in ways which demand varying degrees of fabrication, ranging from the simpler kinds of work, such as for the hulls of vessels or in the larger types of buildings, up to its use in many forms of machinery, such as locomotive and marine engines, hydraulic and electric of different kinds, etc. Thus the issue is in the case of the Calcutta Port Trust complicated by the unusual variety of the plant which it necessarily employs, while the difficulty in giving reliable figures which results therefrom is accentuated by the marked variation, which occurs from year to year in the monies expended under the different heads. While therefore an effort has been made to furnish the Tariff Board with certain figures it is necessary to ask that these be regarded as approximations only and as subject to an unusual degree of variation from time to time.

4. Here it may be pointed out that the alternative course mentioned above, *viz.*, the exclusion from, or inclusion within, the range of the proposed protective duties of fabricated structural steel is from our point of view, one of very great importance. While it will always be the case that certain quantities of ordinary standard steel sections will be required for maintenance and repair work, it should be noted that the steel utilised on many of our more important additions, such as vessels, machinery, etc., is assembled and erected in the United Kingdom, to be passed by Inspectors before shipment to India and thus comes to this country after fabrication. Such steel would therefore escape the payment of the higher duty, provided all steel of this kind is excluded. If on the other hand, the decision were in favour of including fabricated structural steel, the effect would be that all plant imported into India, a great part of which certainly cannot now be produced in this country, would be enhanced in cost by 33⅓ per cent. "*ad valorem*," representing on expensive items such as electrical machinery a gratuitously burdensome impost, the effect of which would be extremely serious.

5. Turning now to the anticipated effect of such duties on the finance of the Port Trust, it is estimated that excluding fabricated steel, the annual increase in ordinary Revenue expenditure (*i.e.*, in monies expended on the mainten-

ance of the Commissioners' railway system, vessels and plant) would range from Rs. 50,000 to Rs. 1 lakh, while if fabricated steel were included, this effect would be increased to possibly double the figures.

6. But it is necessary also to consider the possible effect of such proposals on the Trust's capital expenditure. Here it seems impossible to give any useful figures without a detailed examination of the whole position, which would necessarily take more time than is available, and would in any case only apply to the present and immediate future. It is possible, however, to give certain figures which illustrate the serious effect of the proposals under discussion. The Commissioners are now completing the last of five Riverside Berths at Garden Reach, which comprise one coaling berth and four general import or export berths with sheds. In the construction of these it has been necessary to make extended use of steel in the shape of steel piles and trough plating and the total quantity employed on the whole scheme is approximately 31,700 tons. The actual cost per ton has varied considerably, owing to fluctuations in the f.o.b. price and in exchange during the period of construction, but assuming a basic price of Rs. 10 per cwt. or Rs. 200 per ton, it can be seen that the enhanced cost of imposing a duty of 33⅓ per cent., even when compared with the effect of the present high duty, would amount to nearly Rs. 15 lakhs in respect of these works only. In the case of the first section of the King George's Dock now under construction where the total expenditure, exclusive of interest, is estimated at Rs. 6·6 crores, the proportion of steel is considerably lower but it has been roughly estimated that the cost of all steel work included in all the items covered by the present sanctioned estimates is not far short of Rs. 1 crore, so that the enhanced cost which would follow from the proposals now under discussion would in this case amount to about Rs. 20 lakhs. All such enhancements, together with the increased cost of all other additional plant of any kind whatever, such as new vessels or machinery, either additional or in replacement, (on which every year considerable expenditure is incurred), would be increased by the same percentage and the enhanced capital expenditure thus involved would mean correspondingly higher burdens on Revenue, by reason of the interest and sinking funds payments due on the additional capital monies expended.

7. In the next place it is necessary to observe that a public body such as the Calcutta Port Trust, having to balance its annual budget as closely as possible and to limit its powers of taxation to the lowest figures compatible with paying its way after giving due regard to future contingencies, any such substantial enhancements must necessarily be reflected, and that almost at once, in the rates and charges which it levies from the trade and commerce of the Port. Thus, it may be accepted as an indisputable fact that the proposals now under discussion would immediately affect the whole of the remaining trade of the port by involving some enhancement of the existing scale of taxation.

8. There is another, but most important, aspect of the matter from the point of view of maritime commerce. It is of great advantage for all vessels visiting the Port that they should obtain cargoes in both directions, and it is desirable that, so far as possible, these cargoes should be approximately equal in the space which they occupy on board ships. Clearly, in so far as this condition can be met it becomes easier for shipowners to maintain constant and regular services and to reduce freights with resultant benefit to traders. Even under existing conditions the space required for the general export trade from Calcutta tends largely to exceed that required for her imports, and further the imports of iron and steel, which at present form a regular feature of the import trade, are probably one of the most bulky items in that trade. It follows therefore that any marked decrease of such items would tend to emphasise the existing discrepancy and to enlarge the difference in bulk between the imports and exports of the Port. The economic result would necessarily be towards an increase of the freight charged on exports, and would thereby render the position of India in certain critical markets one of greater difficulty than it is at present.

9. Having regard to the facts and arguments which have been adduced above, the Port Commissioners have no hesitation in saying that they consider the proposal to increase 33⅓ per cent. the present import duties on steel to be one which they must strenuously oppose and if such a proposal were extended to fabricated steel, their objections would be intensified. They would emphasize the protective effect of the present scale of duties, when combined with the cost of freight and insurance, and they consider that in view of this assistance to the Indian iron and steel industry and of the natural advantages which this country possesses in respect of coal and iron-ore, it is difficult to justify any protective measures which must necessarily bring about increases in the cost of so many important items of daily use. As regards the proposed bounty on the building of wagons, they are interested only to a comparatively small extent, but here again they are unable to feel satisfied that the benefits resulting to this country from such a proposal would counterbalance the increased cost which it would necessarily involve in the working expenditure of Indian Railways.

10. In the discussion which the Commissioners have had on this subject, it has been suggested that they should also indicate their opinion in regard to the comparative advantages and disadvantages of import duties and bounties as applied to the main issue of steel manufacture in India and as the Company which has asked for the enhanced import duty to be applied to those items of steel manufacture which they now produce, or expect to produce, would presumably accept a system of bounties as equivalent in effect to a system of import duties, it seems clear that this issue is one which your Board will consider. The salient point of difference between the two alternatives is obviously that whereas an enhanced Customs duty will fall on the consumer (subject, of course, to the possibility of its resting temporarily on the shoulders of merchants or middlemen)—a system of bounties will, theoretically at least, rest on the shoulders of the whole community, since such bounties would be paid from the general revenues of the State. Thus it appears to be a question of a heavier burden affecting a smaller number of people as against a lighter burden affecting the whole. While the Commissioners desire to make it clear that they regard bounties as also open to objection in principle, they recognize that such a system would avoid some of the very serious difficulties which confront the proposed import duties, particularly the consequential effect which the latter would have on industries of the "fabricating" kind, making use to some extent at least of imported material; it would also meet in a satisfactory manner those cases in which this demand could only be met partly from within and partly from without India; lastly it is perhaps possible for a more exact estimate to be framed of the actual cost of artificial assistance which is in the form of bounties. At the same time, it would seem that the effect of bounties can only be properly foreseen when it is known from what sources of general taxation they would be met and the decision on this point would be made, not so much in accordance with the comparative importance of the present sources of revenue, as by consideration of the question which of these sources were the most elastic and best capable of being exploited to yield the additional sums required. And in this connection it must be remembered that the receipts from Customs duty already form one of the largest, if not the largest, items in the Imperial Budget. While as regards income tax, if resort were made to this head of revenue, it would mean that the bounties were in effect almost entirely met by one section of the Community.

11. Lastly, it should be mentioned that bounties on production on an extended basis and apart from their use in the direction of steamer and railway freight do not appear to have been utilised in other countries and are largely an untried and unknown economic expedient.

12. In these circumstances, the Commissioners do not feel able to give any definite opinion on this issue at the present stage of the enquiry, though they consider it is a question which might ultimately require very careful examination.

Statement II.—Letter, dated the 12th December 1923, from the Chairman of the Commissioners for the Port of Calcutta, forwarding additional statements.

I send herewith a statement containing the additional information which I understood you to desire regarding the operations of the Calcutta Port Trust. If there is anything further which the Board would like to have before them, will you please let me know.

Statement (1), showing the rates at which the Port Trust has raised money during the present and last two preceding years.

—	Face value of loan.	Issue price.	Rate of Interest paid to holders of Debentures.	Actual interest paid by Port Trust.
			Per cent.	
1921	£1,000,000 10/30 years*	100	7	7·37 per cent. if redeemed only at end of 30 years. 5·86 per cent. if redeemed at end of 10 years, and replaced by 5 per cent. loan.
1922	£1,250,000 30 years .	100	6	6·43 per cent.
1923	£1,000,000 30/60 years**	97	5	5·41 per cent. if redeemed only at end of full period of 60 years.

* This loan has a currency of 30 years but the Commissioners have the option of repaying at end of 10 years.

** This loan has a currency of 60 years, but the Commissioners have the option of repaying at the end of 30 years.

Statement (2), showing the effect on the Revenue expenditure of the Port Trust if the existing duty of 10 per cent. on iron and steel other than machinery, were enhanced to 33⅓ per cent.

I understand (with reference to the estimate given by me that in respect of maintenance expenditure, the increase of the present import duty from 10 to 33⅓ per cent. on unfabricated steel would mean an increase in the Revenue Expenditure of the Calcutta Port Trust of a sum between Rs. 50,000 and Rs. 1 lakh per annum, and that if this enhancement were extended to fabricated steel also, the increased expenditure might be approximately doubled) the Tariff Board would like to have as close an estimate as possible of the result on the Port Trust Revenue expenditure of imposing an enhanced import duty of 33⅓ per cent. on all steel other than that which would be classed as machinery, taking as a criterion the present schedule of the Customs Department for the existing import duties.

On this basis, I have examined our figures for recent years and arrive at the conclusion that I should place the result of such an enhancement at about Rs. 74,000 if the all-round price of the steel used for maintenance purposes other than machinery, is taken at an average of Rs. 240 per ton, this figure including all existing charges. If this figure is regarded as unduly high and

the average cost is taken at Rs. 200 only, the amount would be proportionately reduced.

Statement (3), comparison of charges on all imports and on iron and steel imports in 1913-14, the last complete pre-war year, and in the present year 1923-24.

—	Tonnage of Imports handled.	CHARGES ON IMPORTS. Total revenue from Landing charges and River Due (also Differential Toll for 1922-23).	Average charge per ton.
		Rs.	Rs. A. P.
1913-14	1,800,673	18,22,667	1 0 0
1922-23	984,153	21,27,001	2 2 6

—	IRON AND STEEL IMPORTS. 1913-14. Landing charge and River due per ton.	IRON AND STEEL IMPORTS. 1922-23. Landing charge, River due and Differential toll per ton.	Percentage of Increase.
	Rs. A. P.	Rs. A. P.	Per cent.
Iron (bar, rod, etc.)	1 0 0	2 8 0	150
Iron (girders)	1 3 0	2 8 0	111
Iron (galvanized)	1 6 0	2 8 0	82
Machinery under—			
2 tons	1 4 0	2 8 0 (up to 35 cwts.)	Average 75 per cent. Approx.
2-4 "	2 2 0	5 0 0 (over 35 cwts. to 30 tons)	
4-10 "	4 0 0	11 4 0 (over 30 tons but not exceeding 100 tons).	
10 "	7 12 0	..	

Statement (4), prices paid by the Port Commissioners for coal during the years 1922, 1923 and to be paid in 1924.

	Rs.	A.	P.
1922 Average price including all freight, etc., charges	15	12	2
1923 Average price, excluding freight, etc.	10	0	5
1924 Average price, excluding freight, etc.	8	1	11

Statement (5), prices now being paid for imported standard sections, for sheet piling and for imported rails.

	Per ton. Rs.	A.	P.
All in 1922 or 1923—			
Imported Rails (1st class)	135	0	0
Tata's 2nd class Rails	124	0	0
Angles, imported, by Port Trust	178	5	2
Steel plates and sheets, imported by Port Trust	181	5	7
Bolts, nuts, rivets, imported by Port Trust	419	7	0
Angles, flats, etc., bought locally	173	8	5
Steel plates and sheets bought locally	178	3	6
Bolts, nuts, rivets, etc., bought locally	435	6	3
Sheet piling imported by Port Trust	236	15	11

Statement III.—Letter, dated 2nd January 1924, from the Chairman of the Commissioners for the Port of Calcutta submitting further statements.

With reference to your letter No. 751, dated the 26th December, 1923, I beg to reply as follows:—

(1) It is hardly possible at present to state with any useful amount of accuracy how much of the Rs. 6 crores given as the approximate capital expenditure of the Calcutta Port Trust during the next four years would come under the head of steel other than fabricated steel or machinery, but if the figure of Rs. 1 crore mentioned as the possible total expenditure during the four years on iron and steel of all kinds be accepted as a rough approximation, then it would seem probable that the amount which would be spent on iron and steel, other than fabricated steel and machinery, might be about Rs. 38 to 40 lakhs.

(2) I give the following most favourable tender rates for rails during the last four financial years:—

1920-21.

Barrow Hæmatite Steel Co.	£22-0-0 per ton f.o.b.
Tata's 2nd class 90 lb. rails	Rs. 184-0-0 per ton.

1921-22.

Bolckow Vaughan	£11-10-0 per ton f.o.b.
Tata's 75 lb. rails	Rs. 171-0-0 per ton.

1922-23.

United Steel Companies, Ltd	£7-15-0 per ton f.o.b.
Guest Keen and Nettlefolds, Ltd.	£8-10-0 per ton f.o.b.

1923-24.

Bolckow Vaughan	£8-12-6 per ton f.o b.
Tata's 2nd class	Rs. 124 per ton.

Oral evidence of Mr. S. C. STUART WILLIAMS, representing the Commissioners for the Port of Calcutta, recorded at Calcutta on Thursday the 6th December 1923.

President.—We are much obliged to you for putting the case on behalf of the Port Commissioners so clearly. I take it that the general position might be summed up in this way: that the Port Commissioners believe that if effect were given to the proposal for increasing the duty to 33⅓ per cent, it would mean a heavy increase both in the capital and revenue expenditure of the Trust and that, since the Trust are not like a Railway company, which might conceivably bear part of the burden itself by reducing its profits, and since they make no profits, inevitably any burden that falls on them must be passed on to the trade of the port. That, I understand, is the position of the Port Commissioners.

Mr. Stuart-Williams.—I think that that correctly represents our general attitude. I might add one point, *viz.*, that we are at the moment, as everybody knows, in the midst of a very big scheme of development which in the ordinary course cannot bring in a proportionate amount of additional revenue and which certainly cannot bring in any additional revenue while it is in course of execution. I do not press the latter point, because we debit interest during the process of construction to capital. What I want to emphasise is that for the first few years we cannot hope, save by extraordinary good fortune, to get sufficient additional revenue to meet the whole charges of these extensions.

President.—That is to say, to a large extent you plan for the future?

Mr. Stuart-Williams.—Yes.

President.—It is not the immediate requirements of the Port, but the requirements of the Port as you believe they will be say 10 or 15 years hence?

Mr. Stuart-Williams.—There is more than that in it. A very large proportion of the expenditure on the first section of the King George's Dock will be on the entrances and these entrances will be enough for, say, 40 berths, but we are only making four berths in the first instance. Therefore, proportionately speaking, we have to shoulder a much heavier burden now than at any other time in connection with this scheme. For that reason we have to conserve our financial resources in every way. Even then we cannot help putting additional burdens on present day trade and therefore it is very important for us not to have to take up any avoidable burden.

President.—In order that we may understand the position a little better, can you tell us what the revenue expenditure of the Port Commissioners is to-day?

Mr. Stuart-Williams.—I can give you figures for the last complete year. The revenue expenditure for 1922-23 amounted to a total of Rs. 261 lakhs.

President.—Does that include sinking fund charges and interest on loans?

Mr. Stuart-Williams.—Of that sum, 77.5 lakhs represent interest and sinking fund charges. I should add that out of that total expenditure, there is a special appropriation of Rs 12 lakhs to Revenue Reserve Fund; that is an allocation which we always hope to make in some degree. It could not have been made in 1922-23 but for the windfall we had in the improvement of the value of our securities. We put most of it into the Revenue Reserve Fund with a view to meeting future demands.

President.—It is, so to speak, in a good year you put aside money to be spent in a bad year. Is that what it comes to?

Mr. Stuart-Williams.—We manage to avoid drawing on the Revenue Reserve Fund in most years. We try to avoid this, because we have this big development scheme in the immediate foreground. If we had no such big scheme, I think that we could use it more as a balancing fund.

President.—It is a sort of additional cash balance?

Mr. Stuart-Williams.—It is more than that. We have always a large amount of money in suspense account, especially when we are carrying out a big development work. That suspense account we don't carry in our ordinary revenue balances. We do not carry forward Rs. 12 or 15 lakhs, which is the amount required, but we do carry that suspense largely out of the revenue reserve fund.

President.—It is almost in a sense working capital?

Mr. Stuart-Williams.—Partly that and partly a real reserve. We now have just under half a crore. Most of that is invested and that is a real reserve.

President.—Is it invested in other securities?

Mr. Stuart-Williams.—It is entirely invested in our own debentures. The advantage of that is when you have to pay off a large loan, then in proportion to the amount you hold yourself, it is a book transaction and you don't have to put a large amount of your own paper on the market at one time.

President.—When do you hope to complete the big scheme of development which is in progress now?

Mr. Stuart-Williams.—The first section by 1927-28. May I amplify that a little? The first section is really the 5 berths in Garden Reach. This is outside the King George's Dock scheme. The last of these berths will be finished at the end of the year, that is to say in about a month. The second part of our extensions comprises the entrances and the first four berths in the King George's Dock scheme, and they will be completed in 1927-28.

Mr. Ginwala.—Is that the second scheme?

Mr. Stuart-Williams.—That is really the second part of the development programme.

President.—You will continue adding berths in the King George's Dock to such extent as the trade of the port requires.

Mr. Stuart-Williams.—Yes. I think that we can say that we have made provision for the next 40 or 50 years.

President.—What are your capital demands for the next four or five years. say, up to the end of March 1928? What is the total amount you expect to spend on capital programmes during these years?

Mr. Stuart-Williams.—It is difficult to answer with any absolute accuracy. It may come to Rs. 1½ crores altogether per annum.

President.—That is to say, it will come to Rs. 6 crores during the next four years?

Mr. Stuart-Williams.—Yes. That is a very rough figure. It depends on a number of things, to some extent on the growth of trade. It depends also on your luck, so to speak, with vessels and your luck with the river. You might conceivably have to buy a new dredger or some such thing. It is difficult to forecast.

President.—At any rate it would be between Rs. 5 and 7 crores?

Mr. Stuart-Williams.—I think so.

President.—What is the rate at which you are able to borrow at present, and at what rate are you obliged to allot to the sinking fund?

Mr. Stuart-Williams.—The rates at which we have borrowed in London for the last three years are 7 per cent., 6 per cent. and 5 per cent. respectively. Do you want the issue price or the net price?

President.—The net rate of interest you had to pay.

Mr. Stuart-Williams.—I have not got it in my head. I can send it later.* The issue price I can give you from my memory. In 1921 we borrowed in London at 7 per cent. with the option of repayment after 10 years. That was issued to the public at par and our price was somewhat lower, and that was a 30 year loan. Then in 1922 we borrowed at 6 per cent. for 30 years' term. The issue price was par. In 1923, *i.e.*, this year, we borrowed for a 60 years term at 5 per cent. and the issue price was 97. These last were the best terms secured this year by any local body.

* *Vide* Statement II (1).

President.—It is difficult to say what the cost will be in the future. At any rate will you be able to borrow at a rate not higher than the rate at which you borrowed this year?

Mr. Stuart-Williams.—We can hope to borrow at a rate between 5 and 6 per cent. for interest alone. As you are probably aware, assuming a 4 per cent. basis of improvement, and allowing for semi-annual payments, a sixty-year loan works out to ·4 for the sinking fund and a thirty year loan 1·75 per cent.

President.—Would not you treat this 60 year loan as a 10 year loan?

Mr. Stuart-Williams.—We ought to, unless things are different from what they are at the moment. Your real effective rate would be between 5 and 6, plus the sinking fund charge, which will depend on whether the money is devoted to quasi-permanent works such as the King George's Dock work or whether part of it is expended on rolling stock, machinery etc., where you are not justified in giving more than 30 years' life.

President.—The addition of Rs. 6 crores to your capital during the next four years would mean an addition of Rs. 40 to 50 lakhs, would it, to your revenue expenditure on that account?

Mr. Stuart-Williams.—Yes, something like that.

President.—Since 1914 I understand that there has been a considerable increase in the port dues in Calcutta?

Mr. Stuart-Williams.—Not in the port dues. Are you using the word in a general sense?

President.—Yes.

Mr. Stuart-Williams.—Strictly speaking the "port due" is a statutory duty of four annas a ton and it is prescribed and limited by the schedule attached to the Indian Ports Act. Therefore there is no increase in that item, but in the charges as a whole there has been a distinct increase.

President.—Could you give us the percentage of increase in your charges since 1914?

Mr. Stuart-Williams.—I have not got it in my head, but I will send you the exact figures.*

Mr. Ginwala.—Under different heads would you give it?

Mr. Stuart-Williams.—I would like to separate them, as regards goods and vessels for the reason that the Port Administration attaches a good deal of importance to making the port as cheap as possible for the vessel.

President.—That is to say, you might have a higher increase in the rates on goods.

Mr. Stuart-Williams.—Quite so.

President.—In para. 4 of your written statement you say "While it will always be the case that certain quantities of ordinary standard steel sections will be required for maintenance and repair work, it should be noted that the steel utilised on many of our more important additions such as vessels, machinery, etc., is assembled and erected in the United Kingdom to be passed by Inspectors before shipment to India and thus comes to this country after fabrication." Am I right in saying that the raw unfabricated steel is mainly required for revenue purposes and that for your capital works the steel that you require is mainly fabricated?

Mr. Stuart-Williams.—No, I don't think that the dividing line would follow that.

President.—I was not sure about it. You said that ordinary standard steel sections would be required for maintenance and repair work and that was what suggested the idea to me at the moment.

Mr. Stuart-Williams.—I don't think that one can generalise in that way. You might be replacing the armature of an electric crane. It would be a maintenance job, but it is a highly specialised type of import.

President.—I don't suggest that you don't require fabricated steel for your revenue works. It is the other way round. Then you do not purchase much raw steel for capital works.

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* *Vide* Statement II (3).

Mr. Stuart-Williams.—You will be up against the fact when you are replacing a plate in a vessel or in a buoy that is steel in a comparatively raw state.

President.—Would the replacement come under capital?

Mr. Stuart-Williams.—No. If you have got to replace, it would be a revenue matter: that would be the least fabricated type of steel. I thought your point was that the more fabricated type would be capital and the least fabricated would be revenue work.

President.—My suggestion was that your requirements in respect of raw steel were mostly for revenue works and only to a lesser extent for capital works. This was based on your own statement "certain quantities of ordinary standard steel sections will be required for maintenance and repairs."

Mr. Stuart-Williams.—I think that there would be a tendency in that way—not more than a tendency.

President.—It is not a point of very great importance. All I wanted was to make sure what exactly you meant there.

Then a little further down you say "If on the other hand the decision were in favour of *including fabricated structural steel, the effect would be that all plant imported into India, a great part of which certainly cannot now be pro duced in this country would be enhanced in cost by 23⅓ per cent. ad valorem* representing on expensive items such as electrical machinery a gratuitously burdensome impost." What the Tariff Board try to keep in view all through is to ascertain what can be produced and what cannot be produced in India at present, and to exclude as far as possible those things that cannot be produced in India at present from the scope of any proposals that they are going to make. Take electrical machinery. I think that it has never been suggested to us by any one that electrical machinery is made in India at present, or that anybody wants to make it, and therefore that would not be included in the proposals of the Tariff Board. Similarly take the case of vessels again. We had some evidence from local firms as to the extent to which they would build barges and launches and so on. None of them claimed to be able to build vessels of any considerable size. It is quite possible that a good many of the vessels you use would fall outside the scope of any proposals that could be made by the Board, but it is rather important to ascertain just exactly what you refer to when you say that a great part of it cannot now be produced in this country because it is very desirable that we should have all the information that you can give us about that.

Mr. Stuart-Williams.—The items that occur to me would be such as the fire float, which we recently purchased from England with its pumps and engines of a very special kind, which only one or two firms in the United Kingdom can make. That is an extreme case perhaps Then I would mention practically all parts of our electrical machinery, transformers, the greater part of electrical cranes, electrical pumps, etc. These are not made here. Leaving aside electrical machinery, we use a great deal of hydraulic plant. I don't think that that is made in India.

President.—Do not Messrs. Burn & Co. make them?

Mr. Stuart-Williams.—Do they claim to make high pressure pipes?

Mr. Mather.—I think that cast-iron hydraulic pipes are made in India. Steel pipes are not made here

Mr. Stuart-Williams.—Ordinary cast iron or steel pipes you can buy here, but not the hydraulic which is subject to great pressure. I don't think that it is made here.

Mr. Mather.—I don't know whether this question affects us in any event. If it is cast iron hydraulic pipe, it can presumably be made in this country, but that is outside the scope of the Board's consideration. If it is steel pipe again it does not come in because there is nobody making steel pipes in this country, so that in either event hydraulic pipes would remain outside the scope of the Board.

Mr. Stuart-Williams.—I think that it is not made in India. There is one firm that claims to make engines, that is Messrs. John King and Co., but I think that the engines of most small craft turned out in India are imported. Then, when you get on to special craft, such as suction dredgers of which we

have three, big bucket dredgers, etc., all these have been imported. Then w go on to locomotives. The Railway Board are asking railways to construct loco motives in their workshops but they have never been constructed, so far as know, by private firms or works.

President.—There is a company at Jamshedpur which proposes to make loco motives but has not yet made them.

Mr. Stuart-Williams.—Wagons are a doubtful case. Wagons are made in India but even then they are made from imported materials. That is my impression.

President.—At any rate wheels and axles must be imported.

Mr. Stuart-Williams.—Then, there is the question of electrical lamps and fans which we use to a very large extent.

President.—You have mentioned these things, but now take the case of vessels. How many vessels have the Port Commissioners under their control?

Mr. Stuart-Williams.—120 or 130 including some very small craft.

President.—The smaller ones, can, I think, be made in this country?

Mr. Stuart-Williams.—Yes. Small row boats we make ourselves or buy here. In regard to launches all our recent purchases have been made here. We have also had four tugs built within the last year or two in India. We had two paddle ferry steamers built here within the last two or three years. I mean to say, wherever we see an opportunity for the local maker, we give him a fair chance of tendering on level terms. We invite tenders both here and at Home and work it out and see which is a better bargain.

President.—Of these 120 or 130 vessels which you have under your control, how many of them are of a type which cannot at present be constructed in this country?

Mr. Stuart-Williams.—Our three large suction dredgers could not be made in India. We have two despatch vessels and one large sea-going tug. There might be some question about those, the size of which is not of such importance that they cannot be made in India, but when the last large sea-going tug was built local figures were found to be much higher than Home figures. That was in the year 1920.

President.—Is that vessel of such a size that she came out under her own steam?

Mr. Stuart-Williams.—Yes. Then big bucket dredgers have never been made in India to my knowledge. We have four of these and there is another almost on order. Our fire float I have already mentioned. That could not be built here. I think with these exceptions it would not be impossible for the others to be built out here. Tugs, launches and small craft generally can be constructed here, and practically all have been constructed.

President.—As regards the figures you give in paragraph 5 of your written statement, so far as raw steel is concerned, the annual increase in ordinary revenue expenditure would range from Rs. 50,000 to Rs. 1 lakhs, while, if fabricated steel were included, this effect would be increased to possibly double the figures. In arriving at that figure of Rs. 2 lakhs for the fabricated steel, have you included vessels, machinery and so on?

Mr. Stuart-Williams.—What do you mean?

President.—I take it that the expenditure incurred on vessels, machinery and so on would be for spare parts, replacements and renewals?

Mr. Stuart-Williams.—Yes.

President.—In this connection, machinery is the most important thing. Do your figures include the cost of spare parts of machinery?

Mr. Stuart-Williams.—Yes.

President.—If they came in under the machinery part of the schedule, they would almost certainly fall outside the scope of the Board.

Mr. Stuart-Williams.—I am not clear how far.

President.—Unless somebody establishes a case that he is in a position or has reasonable chance of making such things.

Mr. Stuart-Williams.—I don't know what 'fabricated' will include.

President.—It is a difficult word.

Mr. Stuart-Williams.—I warn the Board that my figures must be regarded as a rough approximation. A number of items would come under the head "fabricated," some permanent way items, locomotive boilers and so on.

Mr. President.—Are locomotive boilers made in this country?

Mr. Mather.—I do not think there is much prospect of steel for that being made here in the near future.

President.—That may be classed as machinery.

Mr. Stuart-Williams.—Wagon tyres is a fairly big item.

Mr. Ginwala.—Do they come into the figures?

Mr. Stuart Williams.—Wagons do come into my figures. We bought 400 last year. I certainly did take in some items which would come under the definition of machinery.

President.—I wonder if it would be possible to let Mr. Mather see the different items in the statement because he knows pretty well what is required and he might be able to indicate those which need not be taken into account.

Mr. Stuart Williams.—I think I could do that. It is only a loosely framed estimate.

President.—What we want is a figure which would exclude these items which we are not likely to deal with. If there is a doubt you may show the statement to him and he will be in a position to check it.

Mr. Stuart Williams.—I will go over it with him and take out what should be excluded.

President.—In paragraph 6 you give the figures of the increase in cost on the last of the five Riverside berths at Garden Reach. I take it that you quote that merely as an illustration as to the sort of expenditure you would have to meet in future?

Mr. Stuart Williams.—That is on the whole of those berths.

President.—These berths are almost completed and would not actually be affected by future action.

Mr. Stuart Williams.—Yes. They are only an illustration of what might happen.

President.—For these new berths which will be put up during the next four years in the new King George's Dock would they be comparable?

Mr. Stuart Williams.—They are not such a strong case, so to speak, for the reason that the Garden Reach berths do require an unusually large amount of steel piling and trough plating, but on the other hand only a portion of the steel for the first section of the King George's Dock has already been purchased—a considerable portion, but by no means the whole, still remains. We have all the machinery and engines to come out. That might or might not be excluded, I do not know. Then we have the steel work for the sheds, then the permanent way and a number of smaller items such as cranes and so forth. But I would like to make this point, that in preparing our final plans for these sheds we should naturally be taking into consideration whether or not this duty is coming in. If the duty is coming on, we should immediately look round for substitutes and try to avoid steel trade as much as possible by using reinforced concrete. In that way the steel trade would not be benefited though we might be inconvenienced.

President.—That is a point that inevitably comes up in connection with any question of protection, that the consumer will tend to resort to cheaper substitutes.

Mr. Stuart Williams.—I think it is a very important point. I think that everybody in our position will look round and say this item has gone up by so much and we can find some substitute for it.

***President.*—Before the war was there any tendency to substitute reinforced concrete for steel structures?**

Mr. Stuart Williams.—I would not say there was very much because the difficulty felt in one case was also present in the other. Probably it is easier to buy ordinary steel sections at any time than to buy special type of reinforcement. Actually our development work was hung up from 1916 onwards.

President.—You have told us that the cost of the steel work included in all the items covered by the present sanctioned estimates is not far short of Rs. 1 crore. Then again, if that has worked out on the basis of the statement, it might be possible for Mr. Mather to eliminate some of the items.

Mr. Stuart Williams.—I have not got anything like a detailed statement there because the plans are not yet complete, but you may take it that there is a very small amount of machinery included. Where machinery has been included, its weight is not great relatively when compared to the other items.

President.—You have not given us the weight. The real point is what the cost of the machinery would come to.

Mr. Stuart Williams.—There again Rs. 1 crore includes a fairly large amount on account of well curbs, some of which are already purchased and some are in process of being supplied, so that the amount in money to which any legislation in the near future would apply is considerably less than Rs. 1 crore.

President.—If it were possible to indicate* to what extent it should be lessened, even on a percentage basis, say 15 or 20 per cent., it will be sufficient. We do not want anything a more accurate than that. What really I am trying to get at is out of this 6 crores you are going to spend in the next four years how much is going to be steel which is likely to be affected by any proposals that the Board would make?

Mr. Stuart Williams.—One difficulty is what you are calling machinery and what you are not. For instance, a big item is caissoons, large box-shaped things which move in a sliding groove. These consist of plates of steel actuated probably by hydraulic machinery and the hydraulic pumping being done by electrical pumping. It is highly probable that a contract of that kind will be let to one firm. If I am asked how much of that is machinery and how much not, it is rather difficult to say.

Mr. Ginwala.—If you will bear in mind that on whatever you are liable to pay 2½ per cent. may be excluded and on whatever you pay 10 per cent. may be included, that will be some sort of a guide.

Mr. Stuart Williams.—That would be a practical way of looking at it, but even the Customs Schedule does not include specific items such as those I have mentioned.

Mr. Ginwala.—That would be a rough indication of what to eliminate.

President.—Going on now to paragraph 8, you raise a point of a different kind, namely, that as the volume of the export trade of the port exceeds the import trade, ships come to Calcutta fairly empty and if, owing to protection more steel were produced in India, less would be imported. The contrast between the volume of the export and of the import trade would then be accentuated. Ship-owners who bring out goods from Europe are not in a position to raise their freight rates on that journey because they are competing with each other to obtain such cargo as is offering. Therefore the tendency would be to raise the freights on export. I have nothing to say by way of comment on that idea itself, but would not that argument apply equally if the manufacture of steel were to develop in India without protection?

Mr. Stuart Williams.—Yes.

President.—Is it not really an argument against development altogether, because the more we produce in this country *prima facie* the less we import?

Mr. Stuart Williams.—It is, I think, a matter of degree. To my mind there is no blinking the fact that India is predominantly an agricultural country. Out of a total population of 330 millions those engaged in industry now are a fraction—say 1½ millions. That being so, you have agriculture as your prevailing

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* *Vide* Statement II (2).

industry—far and away your biggest industry—and you have to find markets for a certain amount of surplus agricultural produce in order that agriculture should flourish in this country. There must be a point at which it is undesirable to develop industries unless this can be done without damaging agriculture. Nobody can very well object to the natural development of industries based on admitted advantages for such development, but you can say that it is hardly fair to the agricultural interests to develop these industries at the expense of agriculture. What I mean is that India in many cases only obtains a market for her surplus agricultural produce under certain definite conditions and favourable conditions. Her profit is always more or less on the margin. She has a good market for wheat when wheat is fairly high in the other parts of the world. Then there is the same position in regard to linseed. She is not in a position like Canada or the United States, invariably able to find a good and a close market for her agricultural produce. She has to fight for it. Any difficulty you put in the way must react unfavourably on agriculture, which after all is the largest industry in this country. While I admit that nobody would reasonably object to the natural exploitation of Indian iron and coal ore, he can object to an artificial way of exploiting them out of public funds which would react unfavourably on agriculture.

President.—To my mind that is really an argument against the policy of industrial development altogether, because anything that Government does to encourage the development of industries, in so far as it is successful, will have precisely the effect which you say of increasing the difference between the volume of the import and the volume of export trade.

Mr. Stuart Williams.—The tendency is there but it is always a matter of degree. I have no objection whatever to India developing industrially, but I do not think it is necessarily a sound development if it is attained by purely artificial means at the cost of other industries.

President.—That is surely a general question of what it is going to cost the country to develop its industries. There is a lot to be said on that. But your paragraph 8, in so far as it is a valid argument, all seems to me to be an argument against industrial development.

Mr. Stuart Williams.—Well, I think it is a matter of degree and it is a question of holding the balance.

President.—It does not seem to me really to strengthen the general argument against protection to steel. You may have noticed in the newspapers to-day the discussion in Bombay at the meeting of the Associated Chambers. What more than one speaker contemplated was a reconstruction of the Tata Iron and Steel Co. with a reduced capital. A reconstructed company would produce the same amount of steel presumably as the present Company.

Mr. Stuart Williams.—There is a difference between natural development and artificial development at the expense of the ordinary rate-payer, and to my mind it is an enormous difference

President.—The result that you deprecate will, on the hypothesis that reconstruction is feasible, be produced in any case.

Mr. Stuart Williams.—But not in the same degree. The extent merely depends on the quantity of steel produced.

Mr. Ginwala.—You object to the pace of industrial development. If it takes a normal course and, as the President pointed out, if India produced all its steel on a free trade basis, you would not object?

Mr. Stuart Williams.—But that is a very large hypothesis. I do not accept that hypothesis as a reasonable one. You get away from the bedrock of economics directly you get away from a recognition of natural facts. It is up to those who are proposing to get away from that bed-rock to defend their argument.

President.—I am only suggesting to you what is in my mind. That is the argument.

Mr. Stuart Williams.—Your reply is a logical reply but to my mind it is a question of facts and fair judgment of the whole situation.

President.—There is this also that, if the steel industry is going to grow at all, it must grow by big units and therefore by jumps. Production of steel in small units is not economical, and that unquestionably has become more and more the case all over the world. You cannot say that you will start with 10,000 tons a year and gradually increase by 10,000 tons a year or so. However, I have put the point to you and that is all I wanted to do. In the same paragraph in the last sentence you say "The economic result would necessarily be towards an increase of the freight charged on exports, and would thereby render the position of India in certain critical markets one of greater difficulty than it is at present." "In certain critical markets"—I was not quite sure what you had in mind

Mr. Stuart Williams.—I had in mind what I mentioned just now, the markets for linseed and other oil seeds. The trade in these commodities is an extraordinarily fluctuating one as everybody knows. India only obtains a good proportion of that trade in certain years. I think it is given in the report of the enquiry into the facilities of the Port of Calcutta of 1913.

President.—You were thinking of the market for agricultural produce?

Mr. Stuart Williams.—Yes Chiefly agricultural produce.

President.—I wondered if you were thinking of the coal market at all.

Mr. Stuart Williams.—I was not taking coal into consideration, but I do not see why it should not be taken into account.

President.—The exported coal would presumably be going further east since the freight is heavy westward by the Suez Canal.

Mr. Stuart Williams.—I thought you meant anything which tended to increase the cost of coal.

President.—It is surely a question you are dealing with in that paragraph.

Mr. Stuart Williams.—That point about equalising the bulk of cargoes does not really come in under coal Coal is carried from Calcutta very largely by vessels entering the port in ballast. There is a trade with Java from where steamers may bring sugar and take coal. Coal is also carried to Rangoon and Singapore, but coal carried to Colombo, Bombay and Karachi is not being carried at present. I should say it is almost all tonnage which enters the port in ballast.

President.—On the question of bounties there is a good deal of difficulty as to how the money is to be found In paragraph 11 you say "bounties on production on an extended basis, and apart from their use in the direction of steamer and railway freight, do not appear to have been utilised in other countries and are largely an untried and unknown economic expedient." I do not know that any country in the world has ever tried to develop a system of protection dependent wholly on bounties, but they have been used to a large extent for subsidiary purposes as part of the system For instance, the New Zealand Government have given a bounty of 15s. a ton on steel production.

Mr. Mather.—South Africa and also British Columbia.

Mr Ginwala.—They pay a direct bounty on the production of steel.

Mr Stuart Williams.—How far are they effective? My knowledge of economics is over 20 years' old and I may be wrong, but I am not clear about the facts. It is all very well to pass a law but where are there cases of iron and steel production assisted by bounties which would otherwise have not come into existence?

President.—I do not quite follow. It seems to me that there is no reason why a bounty should not be as effective as a tariff duty.

Mr. Stuart Williams.—One only feels that in all these expedients very often the danger may be lurking in the background and only be realised when you have gone some way with your economic experiments.

President.—I do not really see any reason why a bounty should not be effective provided it is sufficient It is quite open to any one to say that a bounty system is unfair to the taxpayer. That is a matter for argument, but I can see no reason why it should not be effective.

Mr. Stuart Williams.—If there are distinct advantages in bounties, why is it that other countries have not adopted them?

Mr. Ginwala.—It is expensive.

Mr. Stuart Williams.—Why should a bounty be more expensive than import duties? You have got to pay. You have got to find the money in any case.

Mr. Ginwala.—What was the total income of the Port say in the pre-war year 1913-14?

Mr. Stuart Williams.—About Rs. 150 lakhs in round figures.

Mr. Ginwala.—Corresponding figures for 1922-23?

Mr. Stuart Williams.—Rs. 264·75 lakhs of which 13.82 lakhs was on account of improvement in the value of securities, which should be deducted, leaving about 250 lakhs as ordinary revenue.

Mr. Ginwala.—Total Rs. 264 lakhs, including this?

Mr. Stuart Williams.—Yes.

Mr. Ginwala.—What is the expenditure?

Mr. Stuart Williams.—Rs. 261 lakhs.

Mr. Ginwala.—In the other case where you gave Rs. 150 lakhs revenue?

Mr. Stuart Williams.—Expenditure would be about the same Rs. 150 lakhs.

Mr. Ginwala.—During that period I take it that all the port dues and the harbour charges and so on increased by 70 per cent. or so?

Mr. Stuart Williams.—Obviously the proportion, if you include everything, is 150 to 250 or two-thirds, but part of our net income is made up of rentals and I do not know whether you would include these as port charges.

Mr. Ginwala.—I want to find out how your total income and expenditure have progressed during these years.

Mr. Stuart Williams.—You will see from these figures, taking everything into account, that the increase is 150 to 250 Our income depends on the charges we realise from the public.

Mr. Ginwala.—I want to know the principal heads of these charges.

Mr. Stuart Williams.—The principal heads are, the amount realised on goods. so much per ton or so much per cubic ft., the amount realised from vessels, which is partly port dues, which amount to 4 annas per ton, and also all miscellaneous charges made against the vessels, rentals on lands and buildings and miscellaneous items. These are the three biggest items.

Mr. Ginwala.—We were told that what are called landing charges had increased from Rs. 5 pre-war to Rs. 7 or 7/8, putting under the landing charges the total charges from the moment the goods arrive in the harbour to the time they are taken away

Mr. Stuart Williams.—I shall give you a schedule* giving the exact figures. Neither previous nor present charges are anything like so high as the figures you have mentioned.

President.—This Rs. 7/8 includes cartage perhaps?

Mr. Ginwala.—So far as the port is concerned what is the figure? I want to know the total increase in those charges so far as the Port Commissioners are concerned.

Mr. Stuart Williams.—You want a percentage figure?

Mr. Ginwala.—Yes. You may exclude rents and other things.

Mr. Stuart Williams.—I will give you an abstract statement* showing the amount realised from goods. I will give you the figure realised for 1913-14 and the corresponding figure for last year.

Mr. Mather.—Could you not give us an analysis of the Port charges?

Mr. Stuart-Williams.—For iron and steel only?

Mr. Mather.—Yes.

Mr. Stuart-Williams.—I can give you these* but I cannot give you them from memory.

* *Vide* Statement II (3).

Mr. Ginwala.—What is this increased expenditure due to—from 150 lakhs to 260 lakhs of rupees?

Mr. Stuart-Williams.—The biggest item is increased pay; that has doubled. It has gone up from 30 to 60 lakhs, speaking roughly. After that comes stores and coal and then there is higher interest charges on recent loans.

Mr. Ginwala.—That necessitates from time to time an increase in your rates?

Mr. Stuart-Williams.—It has necessitated several revision of rates.

Mr. Ginwala.—Did I understand you rightly when you said in your written statement that, speaking generally, your capital programme is about 6 crores in the next four years?

Mr. Stuart-Williams.—Yes.

Mr. Ginwala.—Of that you estimate 1 crore of rupees as the amount to be spent on steel?

Mr. Stuart-Williams.—The 6 crores that you are taking into account now is the total estimated capital expenditure which would include not only the King George's Dock but any other works that we may have to carry out. 1 crore is the figure for steel work for the King George's Dock alone out of this 6 crores, but against that is the fact that we have already bought a good deal of steel for the King George's Dock. On the other hand we have not bought the other steel required for miscellaneous additions during the next four years.

Mr. Ginwala.—What is roughly your capital expenditure programme for the next four years?

Mr. Stuart-Williams.—6 crores of rupees, of which 4 crores would be spent on the King George's dock

Mr. Ginwala—May I take the total quantity of steel on that as 1 crore?

Mr. Stuart-Williams.—I would not give that figure as exact but it might not be far out. A part of that 1 crore has already been spent.

Mr. Ginwala.—How much remains to be spent?

Mr. Stuart-Williams.—Roughly 50 lakhs out of the 4 crores The proportion on the remaining 2 crores for miscellaneous expenditure will be somewhat higher, but a good deal of that would go into the machinery. You can take it roughly at 1 crore.

Mr. Ginwala.—That is spread over four years?

Mr. Stuart-Williams.—Yes.

Mr. Ginwala.—That is 25 lakhs of rupees a year?

Mr. Stuart-Williams.—Yes.

Mr. Ginwala.—Supposing Government were to put on an additional duty of 23½ per cent., your capital expenditure would increase by 6 lakhs of rupees?

Mr. Stuart-Williams.—Yes.

Mr. Ginwala.—And sinking fund and interest on that taken at, say, 7 per cent come to Rs 42,000 a year?

Mr. Stuart-Williams.—Yes.

Mr. Ginwala.—That will be your additional burden?

Mr. Stuart-Williams.—Yes.

Mr. Ginwala—Now, let us take the revenue account. On the revenue side, you have given an estimate of Rs. 50,000 to Rs. 1 lakh. Does it include any machinery?

President.—That is raw steel.

Mr. Ginwala.—For the raw steel you mention Rs. 50,000 to Rs. 1 lakh and for the fabricated Rs. 1 to Rs. 2 lakhs?

Mr. Stuart-Williams.—Yes.

Mr. Ginwala.—A good deal of that consists of machinery and an electrical apparatus and various other things with which we are not immediately concerned.

Mr. Stuart-Williams.—What do you call machinery?

Mr. Ginwala.—Only those articles on which you pay 2½ per cent. duty we will treat as machinery.

Mr. Stuart-Williams.—Would you call a built-up girder or column fabricated?

Mr. Ginwala.—Yes.

Mr. Stuart-Williams.—Then you will be up against all sorts of difficulties. We would have them made at Home and bring them out here. It would pay.

Mr. Mather.—You will have to pay 10 per cent. *ad valorem* on that at present.

Mr. Stuart-Williams.—I find it most difficult to get a definite idea.

Mr. Ginwala.—We only want to find out approximately what it is going to cost the consumer. We are just trying to ascertain what the additional burden will be on the shoulders of the Port Commissioners. Even accepting your figures, certain allowance will have to be made for the machinery which is apparently included in these.

Mr. Stuart-Williams.—Yes.

Mr. Ginwala.—So that taking the maximum figures it comes to Rs. 242,000 including machinery and everything, and the minimum figure comes to Rs. 1·42 lakhs a year?

Mr. Stuart-Williams.—Yes.

Mr. Ginwala.—Assuming that that takes place, would it be such a heavy burden on a Port which has been able to increase its expenditure from Rs. 1·50 lakhs to Rs. 2·60 lakhs in 7 years?

Mr. Stuart-Williams.—It is a question of the last straw on the camel's back. At the moment when we are endeavouring in every way to retrench, when we are working with the minimum staff, when we are not filling up vacant posts and when on the other hand we are faced with growing burdens, to come along and say 'you have another $1\frac{1}{2}$ lakhs a year' is a very difficult proposition.

Mr. Ginwala.—Will it amount to a burden that the Port cannot bear?

Mr. Stuart-Williams.—It is a question of the consumer ultimately. We are having very great difficulty in facing all our increased expenditure at present and it seems rather hard on an administration which is straining every nerve to economize to ask them to pay an additional $1\frac{1}{2}$ lakhs.

Mr. Ginwala.—Would it involve any increase in your rates?

Mr. Stuart-Williams.—We have not got any margin to enable us to shoulder that burden and it would have to come

Mr. Ginwala.—Would it mean much?

Mr. Stuart-Williams.—It would mean exactly the amount of the tax, that is, $2\frac{1}{2}$ lakhs of rupees.

Mr. Ginwala.—What is the value of the tonnage that passes through the Port in rupees?

Mr. Stuart-Williams.—In normal years, that is, with a reasonably good coal export trade, we handle about 6 million tons over the quays and about 1 million tons in the stream, both import and export.

Mr. Ginwala.—So that it would have to be spread over the 7 million tons roughly?

Mr. Stuart-Williams.—Yes.

Mr. Ginwala.—You say in paragraph 9 that "in view of the natural advantages which this country possesses in respect of coal and iron ore it is difficult to justify any protective measures." Have you gone into this question in any detail?

Mr. Stuart-Williams.—I have nothing beyond ordinary knowledge.

Mr. Ginwala.—I just wanted to know whether it was based on an examination of the question.

Mr. Stuart-Williams.—I am mainly speaking from the point of view of the man in the street who knows that Indian coal is one of the cheapest fuels in the world and also understands that the Indian ore is one of the best and most easily mined in the world.

Mr. Ginwala.—Supposing in spite of that we found that the steel industry could not get on without protection, what would be your position?

President.—We shall be glad to have your personal opinion if you do not feel you are able to speak on behalf of the Port Commissioners.

Mr. Stuart-Williams.—I am a free trader by education and conviction and I believe in utilizing every ounce of the world's industrial power in the direction which gives the biggest outturn.

Mr. Ginwala.—We are now concerned with the steel industry. What would be your position with regard to the steel industry: if it cannot thrive otherwise? must it be allowed to die?

Mr. Stuart-Williams.—I have some doubts as to the likelihood of its dying.

Mr. Ginwala.—Supposing the Board as a Board feel that this industry can not exist unless it gets some support?

Mr. Stuart-Williams.—If it has been managed on lines which admit of improvement, it is open to reconstruction. I believe there is no question that the Indian iron and steel industry will live. There is no question but that India can produce pig iron against any country. Generally speaking, one sees certain industries for which a country is specially adapted and if these industries are commenced by people who know their business and exercise ordinary prudence then they succeed—I would instance particularly the manufacture of Portland Cement in India, which involved large capital and technical knowledge and experience. We find that these Indian Companies are making good Portland Cement easily obtainable in the market and I understand that to-day they can not meet the demand—they can compete most favourably with the imported material.

Mr. Ginwala.—The question I have put to you is quite different. Supposing the Board are satisfied that unless some help is given to the steel industry in this country it cannot exist, and it cannot meet foreign competition, what would be your position?

Mr. Stuart-Williams.—I don't think that is a question I am here to answer. I am a free trader and I would not bolster up an industry unless I was satisfied that that was in the ultimate interest of the country, looking at that interest from every possible standpoint.

Mr. Ginwala.—With regard to this argument of yours about the balance of exports and imports, don't you rather overlook in this argument the fact that the prosperity of the country does not necessarily depend upon that?

Mr. Stuart-Williams.—I don't mean that I ever hope to see them exactly balance in tonnage.

Mr. Ginwala.—Take the instance of the United States of America. Their exports and imports are relatively small, compared to the United Kingdom.

Mr. Stuart-Williams.—I don't hope for anything like equality; what I do want to say is that it is a reasonable contention that the nearer you can get to something like equality the better.

Mr. Ginwala.—If the purchasing power of the country is increased by its industrial development, it may not be necessary for the country to export all its surplus, as there may be a greater local demand for its produce. Don't you rather overlook this point?

Mr. Stuart-Williams.—That would tend towards equality, would it not?

Mr. Ginwala.—Quite so, but it may meet your argument about the Indian agriculturist not finding a market. He may find a local market by the increased purchasing power of the country.

Mr. Stuart-Williams.—On the other hand in the United States you have had a country the population of which is growing very rapidly. In India you have a country already fully populated. In India the percentage of people employed in agriculture is much higher than in the United States.

Mr. Ginwala.—It was hardly so when they started protection in the United States.

Mr. Stuart-Williams.—True, but they had a temperate climate, great natural resources and an active and intelligent population.

Mr. Ginwala.—We are getting away from the point. Your point is that if India becomes an industrial country and ceases to import steel, its market for export would be curtailed and therefore it would be disadvantageous to the

agriculturist I am trying to point out that even if his foreign market was curtailed if the purchasing power of the country increased, he might be able to dispose of his surplus agricultural produce here in this country and he might not be worse off. That is a possible argument that you seem to have overlooked.

Mr. Stuart-Williams. I think your argument applies to wheat: it does not apply to linseed Nobody wants to consume more than a certain quantity of linseed oil

Mr. Ginwala.—Wheat and rice are among the principal things.

Mr. Stuart-Williams.—I think the whole point is again a matter of degree One can possibly visualize India in a hundred years time having an entirely different world trade from what it has now, but in the meantime what is going to happen if you shut out your market for linseed and certain other agricultural commodities?

Mr. Ginwala.—What are the principal articles of export from your Port?

Mr. Stuart-Williams.—Taking the figures for 1922-23 in order of importance—

	Tons.
Manganese ore	383,000
Jute	314,000
Wheat and seeds	239,000
Pig Iron	120,000
Rice	50,000
Tea	82,000
Gunnies	48,000
Shellac	26,000
Hides & Skins	26,000
Sugar	21,000
Miscellaneous	87,000

Mr. Ginwala.—If you had to increase the burden, most of the burden so far as exports are concerned would fall on these commodities?

Mr. Stuart-Williams. Yes

Mr. Ginwala.—What about your wagons Do you build them?

Mr. Stuart-Williams.—We do not build these ourselves, we put them together.

Mr. Ginwala.—Do you import them?

Mr. Stuart-Williams.—Yes, and put them together ourselves.

Mr. Ginwala.—Are these broad gauge wagons?

Mr. Stuart-Williams.—Yes

Mr. Ginwala.—Did you import any last year?

Mr. Stuart-Williams.—Our last order was placed in 1920.

Mr. Ginwala.—Since then you have not done anything?

Mr. Stuart-Williams.—No We may be buying some soon.

President.—Can you give us any sort of figures for the average number for a period of years?

Mr. Stuart-Williams.—I may say that the 400 we bought in 1920-21 were the only wagons we have bought since the beginning of the war. I have got demands from the departments for another 200, but some of these are for construction work and we are trying to buy second hand wagons from other Railways You may take 50 wagons a year, assuming that there is a reasonable development in trade, as our requirements, apart from renewals.

Mr. Ginwala.—What was the cost of these wagons?

Mr. Stuart-Williams.—It was a very high figure, about Rs. 10,000 per wagon: I can now buy the same wagon for Rs. 3,500.

Mr. Ginwala.—You have not made any recent purchases?

Mr. Stuart-Williams.—No.

Mr. Ginwala.—Have you bought any rails?

Mr. Stuart-Williams.—We have bought both from the Tata Iron & Steel Company and from a British firm within the last year or so.

Mr. Ginwala.—Are these heavy sections?

Mr. Stuart-Williams.—They are 75 pounds.

Mr. Ginwala.—Would you mind giving us the c. i. f. price?*

Mr. Stuart-Williams.—The Tata's rails we bought were rails which had not been passed by the Government Inspector for main line traffic, but they were good enough for our purpose. They were cheaper than British first class rails. For first class rails, British rails would be cheaper than Tatas.

Mr. Ginwala.—Will you send us these figures?

Mr. Stuart-Williams.—Yes.

Mr. Mather.—Were the British rails you bought first class rails?

Mr. Stuart-Williams.—They do not send anything else.

Mr. Mather.—As far as quality is concerned, they are not on the same basis as Tata's?

Mr. Stuart-Williams.—No. You want the price of both imported rails and Tata's second class rails? We have only imported one lot within the last two years.

Mr. Ginwala.—Imported rails are more important for our purposes. I suppose you import a good deal of your steel both structural and raw. Can you give us your price for some of your principal kinds, for joists and so on.

Mr. Stuart-Williams.—That is rather difficult to give. If we want a certain amount of ordinary sections we call for tenders in the local market.

Mr. Ginwala.—We want the price for the imported sections if you buy them in fairly large quantities.

Mr. Stuart-Williams.—We buy ordinary sections, channels or angles, in the local market and that is the price which obtains in Calcutta.

Mr. Ginwala.—That we do not want. What I was thinking of was that you might possibly be importing some kinds of steel.

Mr. Stuart-Williams.—We had a case a year ago in which we did buy some. We can give you the price of steel we imported a year ago. It was a shade under the local price.

Mr. Ginwala.—We find that the quotations in the trade journals do not necessarily correspond to the actual transactions.

Mr. Stuart-Williams.—I thought they were pretty close myself.

President.—It just depends on whether you buy on a large scale. The rate at which the B. B. & C. I. and the G. I. P. Railways are buying rails are well below market quotations.

Mr. Ginwala.—Do you use a considerable quantity of coal?

Mr. Stuart-Williams.—We use round about 90 to 100 thousand tons per annum.

Mr. Ginwala.—Do you call for tenders every year?

Mr. Stuart-Williams.—Every year about August or September. We invite tenders for the following calendar year from January to December.

Mr. Ginwala.—Would you mind giving us your rates† for the last two or three years.

Mr. Stuart-Williams.—Yes.

Mr. Ginwala.—I take it that whenever possible you try to purchase your requirements in the country?

Mr. Stuart-Williams.—I think that would be a fair statement. I may put it this way: we never go past local makers or dealers. We might invite tenders in both countries but we never go past the local man.

Mr. Ginwala.—Do you always take into account the customs duty in your estimates?

Mr. Stuart-Williams.—In making any estimate of cost of course we do.

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* *Vide* Statement II (5).
† *Vide* Statement III (2).

Mr Ginwala.—You have to pay them, I take it, in every case?

Mr Stuart-Williams. Yes

Mr Ginwala. So that you cannot help taking them into account?

Mr. Stuart-Williams. Quite so

Mr Ginwala. Is it your policy to accept Indian tenders provided they are more or less on level terms with British tenders?

Mr Stuart-Williams. Do you mean Indian-made?

Mr Ginwala.—Yes

Mr. Stuart-Williams. We use Indian-made goods wherever they are good and cheap

Mr Ginwala. In making a comparison do you give any preference at all to the Indian article or do you always insist upon buying in the cheapest market?

Mr Stuart-Williams. We always buy in the cheapest market and we endeavour to get the best value for the money The issue does not often arise It seldom happens that the Indian made and the western made are exactly of the same kind in quality.

Mr Ginwala. With regard to cranes for instance, don't you get them made here?

Mr Stuart-Williams. Nobody here, so far as I know, makes cranes in a regular way. I should make an exception to that Jessops have made some quite successful cranes for our coal loading plant These have been quite satisfactory and they have recently had a repeat order for another berth

Mr Ginwala. Are you satisfied with the kind of engineering work that is done?

Mr Stuart-Williams. Yes We get good cranes

Mr Ginwala. How do they compare with British prices?

Mr Stuart-Williams. I do not remember at the moment whether British tenders were obtained in that case Tenders were called for in 1920 or 1921 I think that tenders were invited at the time and that as British prices were high Jessops' got the order

Mr Ginwala. Do you employ local engineering firms for bridges?

Mr Stuart-Williams. You are not referring to the Howrah bridge?

Mr Ginwala. Have you not got bridges and jetties?

Mr Stuart-Williams. Jetties of course we have We have not made any bridges recently The swing bridges that we have were made at Home and sent out in sections and erected here

Mr Ginwala. What about your jetties

Mr Stuart-Williams. These are made usually under a comprehensive contract for steel works, that is to say, a firm obtaining a contract for a jetty would undertake to bring out the necessary steel, *viz.*, shed girders and columns, and would also have to undertake to screw the piling etc

Mr Ginwala.—Is this sort of work given out in this country, I mean to the local engineering firms?

Mr Stuart-Williams. The firms that obtain these tenders are local firms Messrs Jessop & Co., Messrs Braithwaite & Co and Messrs Burn & Co

Mr. Kale.—In an answer given to the President you said that you are opposed to artificial industrial development, especially on account of the adverse effect it will have upon agriculture Now, I should like to know whether the development of industries is not calculated to promote agriculture itself?

Mr. Stuart-Williams. In what way?

Mr Kale.—Have you noticed the recommendations of the Indian Famine Commissions in the past, *viz.*, that agriculture is not a self-supporting industry and that labour engaged in agriculture has got to be supplied with avenues for employment in other industries?

Mr Stuart-Williams.—Coal mining and things like that?

Mr. Kale.—Even factories, because the bulk of our labour in factories come from agriculture

Mr. Stuart-Williams.—I have no very intimate knowledge of these matters but am I not right in thinking that many of these who come from agricultural industries to, say, a jute mill stop with the jute mill?

Mr. Kale.—No The bulk of the labour engaged in factories, say textile factories, is half agricultural and half non agricultural

Mr. Stuart-Williams.—The half that is agricultural goes back for so many months in a year? That I know is the case in coal mines.

Mr. Kale.—Is it not assistance given to agriculture to that extent?

Mr Stuart Williams.—I have never thought of that point. I thought that the reason why many people engaged in industrial work went back to their country was rather due to the peculiar conditions here Everybody is a land owner more or less and people of that kind rely largely on cultivating their bits of land themselves But I must say that my knowledge is far from complete.

Mr. Kale.—Will you be surprised if I tell you as a fact that these cultivators cannot maintain themselves upon the land which they cultivate?

Mr. Stuart-Williams.—I am not surprised

Mr. Kale.—They have to supplement their earnings by earning wages in large towns and cities, so that from the point of view of the agriculturists themselves who are the predominant section of the population, industrial development is a necessity?

Mr Stuart-Williams.—Would not you also admit that agricultural output might be improved a great deal by the use of more scientific methods?

Mr Kale.—Certainly, but the present population engaged in agriculture is more than what is necessary even for scientific agriculture and therefore you have to drain off some of that population to industrial pursuits. So will this aspect of the question modify your views to some extent?

Mr Stuart Williams.—I should have thought myself that the remedy for the insufficient income was more in the direction of improved methods

Mr Kale.—That is one method no doubt.

Mr. Stuart-Williams.—I think that that is the real remedy

Mr Kale.—If you introduce improved methods, the demand for agricultural labour still further decrease so that the position becomes worse from the point of view of the numbers who are now working on the land and the surplus population has got to be employed somewhere

Mr Stuart-Williams.—That is an aspect of the matter which has certainly not occurred to me

Mr Kale.—You have given us some idea of the exports from the Port of Calcutta I find that manganese exports form a very large part

Mr Stuart-Williams.—They do

Mr. Kale.—If these exports have to bear a certain amount of increase in charges, do you think that the increase will affect the total quantity exported?

Mr Stuart Williams.—I believe that is a probable result. I believe that the margin of profit on manganese is very low and it is carried at a low rate because it is a suitable foundation for the lighter cargo—tea, gunny and so forth.

Mr Kale.—Do you think that the markets for these are "critical?"

Mr Stuart-Williams.—I should think that the market for manganese is rather a critical one.

Mr. Kale.—Is it critical in the sense that other countries compete with India in the supply of manganese?

Mr Stuart-Williams.—Yes.

Mr. Kale.—Is there not a large margin of profit in manganese? I was under the impression that the profit in manganese was very high.

Mr. Stuart-Williams.—When you speak of profit in the industry, whose profit do you mean? Is it the profit of the man who mines or the man who carries it?

Mr. Kale.—Taking the industry as a whole.

Mr. Stuart-Williams.—I take it that you are talking of the steamer freight. I doubt whether the profit of ship-owners is large on manganese.

Mr. Kale.—They may pass it on to the purchaser.

Mr. Stuart-Williams.—I really know nothing about that.

Mr. Kale.—The idea that occurred to me on reading your statement was this that after all in the general national economy ports play, though an important, a subordinate part, so that if the nation finds that some sacrifice is necessary for economic development, then ports have to bear a little burden for the sake of that national development. From your point of view you are quite justified in saying that an increase of port charges, for instance, would restrict the volume of trade going through ports but, if you take a more comprehensive view, then don't you think that the interests of ports may have to be subordinated to the larger interests of the country as a whole?

Mr. Stuart-Williams.—I don't think that the interests of ports would stand against the interests of the country, as a whole.

Mr. Kale.—No doubt the interests of different sections of the population or the community go to make up the national interests, and to the extent to which the volume of trade going through the ports will be affected, certainly it is a disadvantage, I admit, but we have to take into account other things also and on a comprehensive view of the whole position if we find that this is a sacrifice which has got to be borne, then, do you not think that the larger national interests ought to prevail over the interests of ports in India?

Mr. Stuart-Williams.—I don't think I ever urged that the interests of ports as such ought to prevail in any case. All that I said was that the interests of the country as a whole should be the deciding factor. I have always felt some doubt whether that was realised by certain individuals.

Mr. Kale.—Individual industries do you mean?

Mr. Stuart-Williams.—Largely and particularly the agricultural industries and consumers as a whole.

Mr. Kale.—If the agricultural industry is not really adversely affected by the growth of industries, then your argument would lose its force to that extent?

Mr. Stuart-Williams.—If your premiss is right, your conclusion is right.

Mr. Kale.—Because I am not really able to understand how the interests of agriculture will be affected by a slight increase in the port charges, for instance.

Mr. Stuart-Williams.—I don't think that that was quite my point. My point was the effect of increase in steamer freights.

Mr. Kale.—Would they be affected by an increase in port charges?

Mr. Stuart-Williams.—Supposing a steamer goes two-thirds full and comes back instead of two-thirds full only one-third full, the cost of bringing that steamer has got to be met somehow either by the remaining part of the imports or the export. My theory is that exports will suffer. Exports are already double in tonnage and you might accentuate the difference and it might tend to damage certain large stable exports.

Mr. Kale.—Has not there always been an excess of exports over imports?

Mr. Stuart-Williams.—Exports have been always bigger for many years.

Mr. Kale.—That excess has continued, leaving aside the abnormal years of war?

Mr. Stuart-Williams.—Yes.

Mr. Kale.—Don't you think that things will adjust themselves?

Mr. Stuart-Williams.—Do you mean financially?

Mr. Kale.—Because after all India being a debtor country has to make certain payments abroad and they can be made only by means of exports.

Mr. Stuart-Williams.—I have not gone into the exchange argument at all.

Mr. Kale.—I take a general view and say that there will have to be an excess of exports over imports in order to enable India to make payments abroad.

Mr. Stuart-Williams.—I accept that.

Mr. Kale.—Whatever happens to freight, that excess will have to remain.

Mr. Stuart-Williams.—There I think you are rather missing my point. I will put it in a different way. India now relies on exports of certain items as a means of meeting her obligations. If these items cannot be exported, she loses one of her means of meeting certain definite obligations which she could not evade. I suppose that it would tend to reduce her imports.

Mr. Kale.—There will only be a change in the items of export. Some adjustments may take place.

Mr. Stuart-Williams.—In regard to certain items of export she holds a strong position, say with jute and gunny, but in regard to many other trades she has to compete with the rest of the world.

Mr. Kale.—What do you think of the proposal made by Tata's that there should be a bounty as well as an increased import duty?

Mr. Stuart-Williams.—I don't think that they have asked for both.

President.—They have not asked for both on this occasion. Their suggestion of a combination of import duties and bounties was made in their evidence before the Fiscal Commission It is a matter on which we have been putting questions to a number of witnesses. It is an alternative which has got to be considered.

Mr. Kale.—The import duty consequently will not be so high.

Mr. Stuart-Williams—What do you suggest the import duty might be?

Mr. Kale.—They have asked for 33⅓ per cent. Let us suppose that a duty of 20 per cent. is put on and to the extent of the remaining 13⅓ per cent. a bounty is given. A combination of these two will meet your objection to some extent?

Mr. Stuart-Williams.—Where are you going to get the 13⅓ per cent. from?

Mr. Kale.—From the proceeds of the increased import duty.

Mr. Stuart-Williams.—In other words it is going to be a part of your Customs tariff. Surely there is a fallacy in that argument, is there not? As your import duty is effective, you get no revenue. You cannot have it both ways.

Mr. Kale.—Certain imports have to come into the country and the country will have to send out exports to pay for them?

Mr. Stuart-Williams.—I think that it is very dangerous to make such an assumption. If you are going to tax certain items on the assumption that they must come into the country, you will probably find that people do without them.

President.—There is a limit.

Mr. Stuart-Williams.—The principle of substitution is so wide that it is difficult to forecast what may happen. You cannot hope first to tax iron and steel out of existence and at the same time reap a revenue for a time.

President.—Admittedly in the long run there is no question about it. In so far as the protection given is effective and secures the objects aimed at, imports will disappear.

Mr. Kale.—That will take about 10, 15 or 20 years.

Mr. Stuart-Williams.—I don't like the idea at all, any more than I like their claim to 33⅓ per cent. import duty.

Mr. Kale.—I thought that you showed some preference for bounties because they did not throw a burden upon one particular class of the community. Therefore, I asked you that question.

Mr. Mather.—You appear to have imported quite a big tonnage of steel piles and trough plates in the last few years. In your paragraph 6, you tell us that the total quantity of these employed on the whole scheme is approximately 31,700 tons. For how many years was that?

Mr. Stuart-Williams.—That work was interrupted during the war. The work began in 1914. I suppose the last portion of that steel arrived in the country probably last year.

Mr. Mather.—Have you any idea at all what the probable imports of India for things like steel piling would be? I suppose it is chiefly used in ports and harbours.

Mr. Stuart-Williams.—It is used to a fair extent. It is only used on certain definite jobs. It is used in nearly every jetty. It is rather dangerous to give figures about that. You can use steel piling more than once. You can pull it up and use it again. We are now using steel piling which has been used once, but I don't think it is an item which is of first class importance.

Mr. Mather.—Do you use very much apart from the new big scheme?

Mr. Stuart-Williams.—When we mention steel piling, it is not sheet piling we mean, but screw piling. The whole of these jetties are made of screw piles. In the case of the King George's Dock, the entrance jetties will probably be made of reinforced concrete.

Mr. Mather.—So that you are not likely to use screw piles?

Mr. Stuart-Williams.—They are not suitable and if you put on a heavy duty, we will certainly use concrete as far as we can.

Mr. Mather.—You have imported some of these screw piles?

Mr. Stuart-Williams.—Yes, all of them; the last lot came in last year.

Mr. Mather.—Sheet piling you have not imported?

Mr. Stuart-Williams.—We are using a little.

Mr. Mather.—It is not easy to get reliable information about these, but I should be glad if you could give us the recent prices of both sheet piles and screw piles and also trough plates.

Mr. Stuart-Williams.—I am afraid the figures in regard to the screw piles will not be a very good guide, because they relate to an old contract.

Mr. Mather.—In that case, they will not be of use.

In paragraph 8 you tell us that the imports of iron and steel, which at present form a regular feature of the import trade, are probably one of the most bulky items in that trade. What exactly do you mean by that? You don't mean that they occupy more space per ton?

Mr. Stuart-Williams.—I mean the total volume.

Mr. Mather.—Do you mean the weight?

Mr. Stuart-Williams.—Both. All your steel does not come by weight; for instance, built-up sections.

Mr. Mather.—Fabricated structural steel will pay on the measurement basis.

Mr. Stuart-Williams.—Yes. I say that iron and steel, including railway materials and machinery, is I think the largest single item in bulk.

Mr. Mather.—You don't mean in space occupied per ton of weight?

Mr. Stuart-Williams.—Not bulk per ton but aggregate bulk or aggregate tonnage.

No. 79.

Indian Stores Department.

Written.

Statement I.—Note dealing with certain matters connected with the work of the Indian Stores Department in regard to which information is required by the Tariff Board.

Question (*a*).—For what Departments of Government does the Stores Department purchase at present?

Answer.—Purchases have been made on behalf of the Departments and offices noted below. No orders have yet been issued prescribing that any department shall obtain its requirements through the Indian Stores Department, but the latter has in practice acted as the purchasing agent for the Army in respect of all descriptions of Textiles goods obtainable in the country and for the Controller of Printing, Stationery and Stamps, the Posts and Telegraphs Department, State Railways and the Northern India Salt Revenue Department in respect of articles made of jute. It has also been recently arranged that the Department will purchase tentatively engineering plant and materials, textiles and leather, and hardware and miscellaneous stores for the Military Works Services:—

1. Quartermaster-General in India.
2. Director of Ordnance Factories.
3. Controller of Contracts.
4. Controller of Farms.
5. Military Works Services.
6. Government of India, Department of Industries and Labour.
7. Military Secretary to His Excellency the Viceroy.
8. Comptroller, Viceregal Household.
9. Printing, Stationery and Stamps Department.
10. Posts and Telegraphs Department.
11. Northern India Salt Revenue.
12. Survey of India.
13. Director and First Bacteriologist, Muktesar.
14. Currency Officer, Bombay.
15. Public Works Department, Delhi Province.
16. Inspector-General of Police, North-West Frontier Province.
17. Government of Assam, Education Department.
18. River Police, Narayanganj.
19. Government of Bihar and Orissa, Revenue Department.
20. Superintendent, Government Printing, Patna.
21. Executive Engineer, Champaran Division.
22. Executive Engineer, Wainganga Division.
23. Executive Engineer, Mahanadi.
24. Executive Engineer, Madura Drainage Division.
25. Customs Department, Burma.
26. Central Jail, Insein.
27. Government of the Punjab Public Works (Irrigation) Department.
28. Director of Industries, Punjab.
29. District Remount Officer, Sargoda.
30. Stationery Department, Bombay.
31. Salt and Excise Department, Sind.

32. Executive Engineer, Nasik.

33. North-Western Railway.

34. Oudh and Rohilkhund Railway.

35. Engineer-in-Chief, Central Indian Coal Field Railway, Ranchi.

Question (b).—What classes of stores does it purchase at present?

Answer.—(1) Textiles goods.

(2) Engineering plant and materials.

(3) Hardware and miscellaneous stores.

(4) A beginning is being made in the purchase of oils, paints, varnishes.

Question (c).—Is it intended that when the Department is organized it should purchase for all Departments of the Government of India or only for some of them?

Question (d).—Is it intended that the Department should eventually purchase all classes of stores?

Answer.—The Stores Purchase Committee recommended that the Department should purchase:—

(*i*) Cement, oils, paints, varnishes and chemicals and miscellaneous stores of an allied nature; (*ii*) leather goods and miscellaneous stores of an allied nature; (*iii*) textile goods and miscellaneous stores of an allied nature; (*iv*) steel and iron, as produced by the blast furnace, steel hearths or rolling mills and not further manufactured into articles, but including steel intended for structural work;	For all Central Departments and minor local Governments and such other authorities as may desire to avail themselves of the services of the Department.
(*v*) all engineering manufactures including plant and machinery and miscellaenous hardware, stores of an allied nature.	For all Central Departments and minor local Governments (except the Marine, Railways, Ordnance Factories, Military Public Works and Telegraph Departments) and other authorities desiring to utilise the services of the Department.

The final orders of the Government of India on this recommendation have, however, not yet been issued.

Question (e).—Will it be open to Local Governments to utilise the services of the Stores Department to make their purchases?

Answer.—It is open to Local Governments, and also to public bodies such as Company worked Railways, Port Trusts, Municipalities, etc., to utilise the services of the Indian Stores Department for this purpose. It will probably be obligatory in the case of the minor Local Governments to use the agency of the Department for their purchase work. In the case of the major Local Governments, it will be entirely discretionary with them to effect their purchases through the agency of the Department or by any other means There are indications, however, that some at least of these Local Governments will utilise the services of the Stores Department for this purpose. For example, the Government of the Punjab with the permission of the Governemnt of India have already placed a number of orders with the

Department in connection with the large Sutlej Valley project and also with other undertakings of the Government and the Government of the Central Provinces have indicated their desire to utilise the Department for the purchase of their requirements in respect of textile goods. The Government of Madras are at present considering whether they should obtain their stores through this department. Orders for certain classes of stores have been received from departments under the administration of the Government of Burma, Bombay, Bihar and Orissa and Assam.

Statement II.—Replies to the special questionnaire of the Tariff Board submitted by the Chief Controller of Stores, Indian Stores Department.

Question I.—State the extent of the powers of the Indian Stores Department, when the full organization of the Department is working.

Answer.—The Government of India's scheme for the organization of the Indian Stores Department is now before the Secretary of State, whose orders are awaited.

Question II.—State the date by which the full organization of the department as at present planned is expected to be at work.

Answer.—I am not in a position to indicate the date by which the Department will be fully organized. This depends wholly on the availability of funds. If ample funds were available at the moment, the organization of the Department could be completed within two years, except as regards the establishment of a Test House at Bombay. That measure would require a year longer. I append diagrams showing:—

(*i*) The complete organization of the Department as proposed by the Chief Controller;

(*ii*) The organization as it at present exists;

(*iii*) The organization as it will exist during the financial year 1924-25 provided that funds are available to finance the scheme of development which is at present under consideration.

Question III.—How far the instructions of the Government of India issued for the guidance of the Department require that important articles purchased in India should be made of Indian materials? If this condition is in fact imposed, whether any procedure has been devised by which the extra costs incurred by the Indian manufacturers on this account will be allowed for in considering prices.

Answer.—No instructions of exactly the nature referred to have been issued. The purchase of stores in India for the use of the public service is regulated by the Rules to which I have referred in my answer to Question I. The underlying object of these Rules is to utilize the products and manufactures of India for the purposes of the State to the fullest extent compatible with economy and efficiency. Hence, the Rules provide that preference shall be given to Indian products and to articles manufactured in India from materials produced in the country over foreign products and manufactures, provided that the quality is sufficiently good for the purpose and the price is not unfavourable. Articles manufactured in India, either wholly or substantially, from imported materials are also to be given preference over foreign manufactures if the price is as low as that at which articles of similar quality can be obtained through the Stores Department in England and provided that the materials employed are subject to such tests and inspections as may be prescribed by the Government. Thus, the Rules, while giving preference to Indian products and manufactures, do not preclude the purchase in India of articles which are produced or manufactured abroad. The purchase, however, of articles of this class is subject at present to various restrictions as regards price, quality, etc., the nature of which is indicated in Rules 3, 4 and 5 of the existing Stores Purchase Rules. The question of the extra cost incurred by Indian manufacturers is not necessarily taken into account in the consideration of the prices of Indian and foreign manufactures. The Government of India have received a clear mandate from the Legislature that their purchases should be made in the cheapest and otherwise most suitable markets, and ordinarily the Department is guided by this basic principle in effecting its purchases. Cases arise in which economy is not determinable solely by the relative prices of Indian and foreign products and manufactures. For example, the price of a foreign article may be lower than that of the corresponding Indian article, but the delay involved in procuring the former may cause substantial loss to the State and give rise to serious administrative difficulties. In such a case it is obviously sound business to purchase the

Indian article, and this is the course ordinarily adopted. It conforms, as I understand the matter, to the principle underlying the mandate from the Legislative Assembly. The converse, of course, equally applies.

Question IV.—Explain the procedure by which the department satisfies itself that Indian prices are reasonable as compared with the prices of similar articles produced in the United Kingdom.

Answer.—(*a*) By simultaneous tenders, both in India and in the United Kingdom.

(*b*) By a reference—

(i) to prices in the United Kingdom furnished by the Director-General, India Store Department, London; and

(ii) to contracts placed by that officer.

(*c*) By information obtained by the Department as regards current market prices in India and abroad.

In comparing the prices of Indian products and manufactures with those of stores of foreign origin, when the latter are quoted at f. o. b. rates, the following charges are added to the prices of foreign articles:—

(i) freight from the foreign port to the port of destination in India;

(*ii*) interest, insurance and freight brokerage;

(iii) Landing, wharfage and port charges at the Indian port;

(iv) customs duty, according to the tariff schedule, calculated on the cost of the stores *plus* the additional charges mentioned above.

If the quotations for the stores produced or manufactured in India include cost of transport to site, the cost of forwarding to the site from the Indian port is also added to the price of stores of foreign origin.

Question V.—Whether under the instructions of the Government of India orders will be placed in India even if the prices are somewhat higher than those of similar imported articles, after makng due allowance for freight, customs duty, etc.

Answer.—My answer to this question is given in the reply to Question III.

Question VI.—Whether the Department has been granted power to control specifications so as to ensure that articles produced in India are not unfairly prejudiced.

Answer.—The intention is that the Stores Department shall prepare specifications, in consultation with the consuming deparments concerned, for all classes of stores which it purchases, and will also advise departments who are permitted to purchase any special classes of stores direct in the preparation of the specifications for such stores. Specifications must obviously be framed to meet the necessities of the case, but in preparing them, the Department will certainly, whenever this is possible, draw them up to meet the capacity of Indian manufacturers: Thus, for example, the Department in all ordinary cases permits the use of acid or basic steel indifferently though acid steel has heretofore alone been permitted in many specifications current in India. Again, to suit manufacturing conditions in some cases, built up girders have been accepted in place of rolled sections, or extra joints have been allowed in plate girders. In this connection I reproduce a provision which appears where applicable in all specifications framed by this Department, the object of which is to place as much business as possible in the hands of manufacturers in India:—

"*Deviation from the Specification.*—Should a tenderer desire to depart in any respect from the provisions of this specification, either on account of manufacturing practice or for any other reason, he must specifically bring the matter to notice in his tender in the form of a covering letter, explaining in detail each and every departure he proposes to make from the specification. Manufacturers' standard specifications for the plant or component parts of the plant may be submitted, but all discrepancies must be clearly drawn

attention to, both in the covering letter referred tc
and appendices which have to be filled in by the tenderer. The intention is to adopt manufacturer's standard equipment as far as possible, but these standards must, in all respects, comply with the conditions of this Specification as regards safety from breakdown, output, capacity, performance, etc., and must pass the tests specified."

Question VII.—Whether the Department is in a position to ensure either that—

(1) when simultaneous tenders in India and England are called for, the conditions are so framed that the manufacturers in both countries tender for the same articles under identical conditions, or

(2) when this is not possible (*e.g.*, British manufacturer supplies railway wagons of which the fabricated materials are imported into India and erected there, whereas the Indian manufacturer has to erect the wagon himself) proper allowance is made in considering the tenders for unavoidable difference in the conditions of supply.

Answer.—(1) Yes. If tenders are called for by cable, very full information is given. If time permits, the full specification with all conditions is sent Home by post. If any conditions is omitted in a tender from the United Kingdom, full allowance is made in comparing prices.

(2) The answer to this is given in the preceding reply. The Stores Department has not yet been entrusted with the purchase of railway wagons, and has, therefore, not so far placed any orders for this class of stores.

Statement III.—Statement showing the estimated cost of the Indian Stores Department for 1923-24 and 1924-25.

	Sanctioned Budget, 1923-24.	Proposed Budget, 1924-25. Existing appointments.			
		Sanctioned charges.	Cost of continuation of certain existing appointments.	Cost of revision proposed.	Expansions. *
Recurring Charges—					
Pay	5,76,540	6,13,160	57,050	29,050	1,82,130
Allowances	65,690	74,750	4,500	..	31,800
Contingencies	63,770	62,500	2,500	..	43,100
Supplies and Services	40,950	31,200	..	..	2,400
Rounding	—10	—10	..	..	..
Total recurring charges	7,46,940	7,81,600	64,050	29,050	2,59,430
Non-recurring charges—					
Supplies and Services	1,68,860	..	..	..	47,470
Works	47,500	..	..	..	..
	9,63,300	7,81,600	64,050	29,050	3,06,900
				4,00,000	

Oral evidence of Mr. K. M. KIRKHOPE, C.I.E., Member, Inst. C.E., Acting Chief Controller of Stores, recorded at Delhi on the 22nd January 1924.

President.—The Stores Department in India is, comparatively speaking, a new innovation?

Mr. Kirkhope.—That is correct.

President.—Can you give us the exact date when the Director was appointed as head of the department?

Mr. Kirkhope.—The Chief Controller was appointed on the 1st January 1922.

President.—A certain number of existing officers were put under the general control?

Mr. Kirkhope.—Yes; they came over chiefly from the Surplus Stores Organization where they were employed in purchasing textiles for the Army and certain Civil Departments. Mr. Mather's appointment was originally under the Railway Board; it then came under the Munitions Board, then to the Department of Industries and Labour and from that department to the Stores Department.

President.—There was another office that one used to hear about—the Superintendent of Local Manufactures?

Mr. Kirkhope.—The Superintendent of Local Manufactures' appointment followed the same course as Mr. Mather's appointment—first under the Railway Board, then the Munitions Board, the Department of Industries and Labour and then the Indian Stores Department. His functions were subsequently split up into two. The original holder of the appointment was the Superintendent of Local Manufactures and the Government Test House in Calcutta, and he originally did both testing and inspection. His functions were split up into two (testing and inspection) the inspection being taken over by another officer who was originally under the Superintendent of Local Manufactures. Now in Calcutta instead of having one officer we have got two each with his respective staff—the Superintendent of the Government Test House and the Controller of Inspection, Calcutta Circle.

President.—You have told us in the previous note you submitted what the proposals of the Stores Purchase Committee were as to the departments for which your department should purchase, and I take it that you hope eventually to reach that stage?

Mr. Kirkhope.—We are gradually reaching that stage. We have taken over one or two departments and others are coming to us as time goes on. We expect the Posts and Telegraphs to come to us for all articles with which we can economically deal, but there are some very special things which they are likely to keep in their own hands as they could not be produced in India at all. We have not quite completed our negotiations with them, but our preliminary negotiations are very favourable.

President.—What exactly are your relations with the Railway Department? How far have orders been passed indicating that you will take over their purchases?

Mr. Kirkhope.—This matter is still under negotiation with the Railway Board. We have done comparatively little buying for the railways and we have purchased no steel work for them. We of course do all their inspection work so far as steel is concerned. Mr. Mather, for instance, or his *locum*

tenens, is doing the inspection of rails and structural steel and the Controller of Inspection, Calcutta, wagons, under-frames, bridges, etc. In our Test House we test materials, but our purchases for the railways have been comparatively small except in respect of jute, canvas and stores of a like nature.

President.—But the question of handing the purchases to a greater extent to you is now being discussed?

Mr. Kirkhope.—Yes.

President.—You also give us the information as to the kind of stores you are purchasing at present. In your answer to question (*a*) in your previous note, at the end of the answer you give a long list of the departments for whom you purchase. I was not quite clear as to exactly what materials you purchase for these people.

Mr. Kirkhope.—Up to June 1923 we had done no engineering purchases at all. We only started engineering purchases in June and up to that time our purchases had been textiles and other materials for all these departments, but since June we have taken up the purchase of engineering stores for some of them.

President.—For any of these departments that required them?

Mr. Kirkhope.—Yes.

President.—The ultimate ideal of the department is that it should purchase for all departments of the Government of India all stores that can be produced in India?

Mr. Kirkhope.—Yes, for the Central departments and Minor Local Governments.

President.—And the Provincial Governments if they choose will be able to employ your agency?

Mr. Kirkhope.—That is so.

President.—I should imagine that they would find great advantage in doing so, because you will be in the market as a very important purchaser and would be able to obtain more favourable terms than a single local Government purchasing by itself.

Mr. Kirkhope.—Yes, we can obtain more favourable terms as far as our experience shows, and for certain local Governments, for instance, the Punjab Government, we are doing a great deal, I mean, all purchases for the Sutlej Valley Projects, and we have started purchasing for the Llyod Barrage Project. We have purchased quite a lot for them, have a great deal on hand and expect more to come.

President.—From another point of view I take it there is advantage in purchasing through the Central Purchasing Department, namely, that, if a firm turned out bad work and incurs the dissatisfaction of the local Government, that does not prevent other local Governments from dealing with it. But it is a much more serious matter if the firm incurs the displeasure of the Central Stores Department: it would be knocked out altogether, and the Central Department ought to be able to secure a very high standard of quality for that reason.

Mr. Kirkhope.—Yes. Of course there is another safeguard: we never make a purchase without inspecting and in the case of manufactured materials we inspect throughout the course of manufacture, and we should pull up any firm putting forward bad material before the work had gone through.

President.—I understand that. Then turning to your second note, as regards your answer to the first question we shall take it for the moment that, as proposals have been made to the Secretary of State, the details that you have given us as regards the proposals sent up are not for publication?

but that, if funds were available, the thing could be completed within two years?

Mr. Kirkhope.—Yes, except the establishment of the Test House at Bombay which requires building, equipment, machinery and general organization.

President.—The Test House there would be largely concerned with textiles, I take it?

Mr. Kirkhope.—To a great extent it would, but at the same time, we should have to test engineering material generally. Of course, in our test house at Calcutta we test textiles now and we are gradually getting together the full equipment and machinery required: we have got what is necessary to complete it now on order.

President.—Question III was "How far the instructions of the Government of India issued for the guidance of the department require that important articles purchased in India should be made of Indian materials"? That was the first part of the question. As regards the things that you purchase, as far as you know, there are no instructions precisely in that form?

Mr. Kirkhope.—That is correct. We have to purchase, as I have said, in the cheapest market provided the articles are suitable for the purpose.

President.—Supposing it appeared to you that the article can be purchased more cheaply in England then do you hand over the matter to the Director General of Stores in London?

Mr. Kirkhope.—Yes, that is, we inform the indenting officer that the article cannot be obtained in India or purchased more economically, and it is left to him to indent on the Director General, India Stores Department.

President.—What we were thinking of when we put this question that I have just read out was the condition laid down by the Government of India as regards the purchase of railway wagons in India. One of the conditions laid down was that they would call for tenders in India for a certain number of wagons every year, and that the manufacturer would be under an obligation to use Indian materials as far as possible. One or two firms in Calcutta said that, if they were put under an obligation of that kind, it would not be fair that there should not be some concession in the matter of price. Government could not have it both ways. Either they should leave them to purchase in the cheapest market, or they could require them to purchase in India whenever possible. If so there ought to be some concession as regards the price paid. No case similar to that that has come under your notice?

Mr. Kirkhope.—We have nothing whatever to do with the purchase of railway wagons. We merely inspect the railway wagons when they are manufactured in India. The only rule which bears on that point is Rule 1 "All articles which are purchased in India in the form of raw materials or are manufactured in India from materials produced in India should by preference be purchased locally provided the quality is sufficiently good for the purpose and the price not unfavourable." Rule II also bears on this point "All articles manufactured in India from imported materials should by preference, be purchased in India, subject, however, to the following conditions:—

(a) That a substantial part of the process of manufacture of the articles purchased has been performed in India.

(b) That the price is as low as that at which articles of similar quality can be obtained through the India Office.

(c) That the materials employed are subjected to such inspection and tests as may be prescribed by the Government of India.

NOTE.—The term "a substantial part of the process of manufacture" in clause (a) means that a substantial part of the preparation of the finished

article must be performed in India, whether from raw materials or from component parts obtained in a finished state from other sources."

President.—How exactly do you construe rule (1) in practice?

Mr. Kirkhope.—We bear in mind the mandate to purchase in the cheapest market.

President.—It seems to me that if the phrase "the price is not unfavourable" meant that the Indian price must not be higher than the imported price by even one pie the rule would naturally have said, "provided the price was not higher." As it says "if the price is not unfavourable," there must be a benevolent tendency towards the Indian manufacturer.

Mr Kirkhope.—We are expected to purchase in the cheapest market and we are equally expected and actually do, to the best of our ability, foster Indian industries, and from that point of view we do construe that rule benevolently. We have also to take into account various other factors such as administrative convenience, urgency of supply, etc.

President.—That must be the intention of the rule. I do not see why that phraseology should have been adopted, unless there was a desire not to make the conditions unduly strict. But can you think of a case in which, apart from the general rules, the Government of India have issued special instructions about any particular kind of article?

Mr. Kirkhope.—No special instructions of that sort have been issued.

President.—There are special orders about wagons, but can't you think of anything else where the Government of India have so to speak given an undertaking that they will make certain purchases, provided the articles are manufactured from Indian materials?

Mr. Kirkhope.—No, I can't recall any. When we get a quotation from India and a quotation from England we take into account all the items I have enumerated—freight, interest, landing, port charges, customs duty and the cost of transport from the point of landing in India to the site of the works, erection charges, charges for erection staff and so on. We put them absolutely on all fours—the Indian article and the Home article.

President.—The case prominently brought to our notice is the wagon case where the Indian manufacturer has got to erect the wagon ready to run, whereas the Home manufacturer has not got to do that, and his wagon is assembled in this country. Can you think of an analogous case that you have got to deal with?

Mr. Kirkhope.—We have had no case exactly of that sort.

President.—Can you give us a concrete case?

Mr. Kirkhope.—Nothing exactly the same. Recently we called for tenders for a certain number of cranes for the Sukkur Barrage, and manufacturers in India and importers in India quoted for these cranes to exactly the same specification and landed at Sukkur. The difference in price was such that we had to purchase the imported article.

President.—What I am thinking of is, was there a difference between the amount of work which the Indian manufacturer had to do and the amount of work which the Home manufacturer had to do?

Mr. Kirkhope.—I do not understand

President.—What I am thinking of is this. We have had this particular case of the wagons where definitely the Indian manufacturer had to do certain work in connection with the wagons which the British manufacturer has not got to do.

Mr. Kirkhope.—I know the wagon case very well indeed, but we have had no case exactly the same.

President.—It is a similar instance to that that I was trying to get, to find out how you deal with the problem. The wagon manufacturer says that he is not quite satisfied that the allowance made for assembling the wagon in this country is sufficient.

Mr. Kirkhope.—The instance I gave is not precisely the same. The cranes would be landed at Sukkur either from Home or from India under exactly the same condition. In a case where erection has taken place, for instance, in some very large dragline excavators that we have got out for the Sutlej Valley project, we have taken the cost of erection at site into consideration both in the case of the Home tenderer and the Indian tenderer; but I may say here that it was merely a purchase in India and not manufacture in India. We should seldom get an analogous case to the wagon.

President.—Who did the work of assembling in that case?

Mr. Kirkhope.—In both cases the workmen of the firm who got the contract.

President.—But then there would be no difference in that case?

Mr. Kirkhope.—There was difference in that case because the Director General of Stores got better freight rates.

President.—I mean difference in the amount of work?

Mr. Kirkhope.—No. They were absolutely on all fours. They had to produce the machinery at a certain point erected and ready for operation at a certain time.

President.—Both had to do exactly the same amount of work?

Mr. Kirkhope.—Yes.

President.—Can you think of an instance where the British manufacturer had to do less work than the Indian manufacturer because the Government department obtaining the thing would do a certain amount of work itself on receipt?

Mr. Kirkhope.—I am afraid we have not got instances of that sort. We generally stipulate that erection should be done at site by either the Home manufacturer or the Indian manufacturer.

President.—It would have been useful to us, because we wish to know how, if you were up against the same problem, you would satisfy yourself that sufficient allowance had been made for any extra expense that the Indian manufacturer was bound to incur?

Mr. Kirkhope.—We have had instances where small electrical plants were purchased either in India or at Home, and in comparing the prices we have estimated erection charge for the particular plant, and our usual way of estimating it was to use our own knowledge as engineers and examine the erection charges proposed by the Indian manufacturer, or the Indian agents, I should say, and add that to the Director General of Stores price.

President.—The addition made was not necessarily identical, I take it, with what the Indian manufacturer proposed, but he was allowed to have a say in the matter?

Mr. Kirkhope.—It was very nearly the same. We have endeavoured as far as possible to put them on the same basis.

President.—Of course there are elements in the case of a commercial department like a railway; there would be the question of overhead charges and so on. But in the case of the Public Works Department purchases it would be extraordinarily difficult to find out in any way at all what their overhead charges were. Take the Roads and Buildings Branch of the Public Works Department under the local Government. It would be quite impossible I imagine to find out what their overhead charges are.

Mr. Kirkhope.—In the cases I have quoted overhead charges would not come in as the work would be done by the contractor.

Mr. Mather.—Do you mean that the erection would not be done by the Public Works Department but would be sub-let to the Contractor?

Mr. Kirkhope.—Yes.

President.—It is not quite analogous. The point about the railway wagons is that the work of assembling is frequently done by the railway company itself.

Mr. Kirkhope.—Yes and sometimes by contract. The contract price given you a concrete instance where everything is taken into account.

President.—If an Indian firm is ready to erect at a certain price, it is no longer open to any one to say that that is not the right price.

Mr. Kirkhope.—Quite.

President.—Then, you cannot think of a case where the work of assembling or erection in India is done departmentally but where, if it was purchased in India, it would be done by the Indian manufacturer.

Mr. Kirkhope.—I know of no case exactly similar to the wagons. There are many cases of small machines but the cost of erection is trifling.

Mr. Mather.—Have you bought any fabricated structural steel?

Mr. Kirkhope.—Yes, we have bought some fabricated steel work both from home and from engineering firms in India, but these cases are not quite the same thing.

Mr. Mather.—I was wondering whether possibly in such cases the Indian engineering firms doing fabricating work had quoted for the fabrication in their own shops *plus* erection on the site.

Mr. Kirkhope.—We have a case under consideration, but it is not yet carried through—steel for the Legislative Chambers. It is useless to talk about that until it is actually carried through. You realise that we have only been doing engineering work since June.

President.—I quite recognise that. I am only anxious to obtain any information that you can give. You are not an old department with a long history behind you.

At the bottom of page 5 you say "the Department in all ordinary cases permits the use of acid or basic steel indifferently, though acid steel has heretofore alone been permitted in many specifications current in India." Could you mention some of the things for which acid steel is always specified and for which you are now accepting basic steel?

Mr. Kirkhope.—There are several cases but one of the most important is boilers; the India Office always specified acid steel.

President.—Do you accept basic steel for boilers?

Mr. Kirkhope.—We should, as the new Boiler Regulations accept acid or basic steel with limitations of phosphorous and sulphur.

President.—For locomotive boilers?

Mr. Kirkhope.—For all boilers, there is no distinction made between locomotive and other boilers.

President.—Have you purchased boilers for railways yet?

Mr. Kirkhope.—Not for railways.

President.—I think that Mr. Reed of the Peninsular Locomotive Co. told us at Jamshedpur that he did not think that basic steel would be permitted for locomotive boilers. Am I right, Mr. Mather?

Mr. Mather.—That is so.

Mr. Ginwala.—He also stated that he had supplied boilers during the war in England made out of basic steel, and that they had done well as far as he knew.

Mr. Kirkhope.—The Boiler Regulations permit acid or basic steel also the Board of Trade Regulations for Marine boilers.

President.—These are legal regulations under the Act, are they?

Mr. Kirkhope.—Yes. There is no distinction between a locomotive boiler and any other boiler.

President.—Do you know what the orders of the Railway Board are about that?

Mr. Kirkhope.—The Railway Board specifications still specify acid steel. I merely happen to know that, however, it is a question for the Railway Board.

President.—Quite. You have not yet purchased any for them?

Mr. Kirkhope.—No.

President.—Boiler plate is not now made in India? It is only a possibility of the future?

Mr. Mather.—Quite so.

Mr. Kirkhope.—Then in general specifications we say that either acid or basic steel will be permitted for any structural work and we merely ask the tenderer to state whether he proposes to use acid or basic steel.

President.—In your answer to the last question you say that "when simultaneous tenders in India and England are called for, the conditions are so framed that the manufacturers in both countries tender for the same articles under identical conditions." This answer seems rather to lay stress on the fact that the United Kingdom gets a fair chance.

Mr. Kirkhope.—We issue exactly the same specifications for everybody. But if there is something that is manufactured in India and not at home, or at home and not in India, in the case of structural work we would say that acid or basic steel would be permitted and this should allow the Indian manufacturer to come in.

President.— As a matter of fact what we had in our minds when this question was put was wagons. But we have already gone into that.

Mr. Ginwala.—What is the total value of your purchases made in a complete financial year?

Mr. Kirkhope.—In what class of materials?

Mr. Ginwala.—I want to know the total value of your purchases.

Mr. Kirkhope.—Last year in the case of textiles it came to about Rs. 164¾ lakhs.

Mr. Ginwala.—I was rather referring to the total value of the stores purchased.

Mr. Kirkhope.—You will understand that we only started purchasing engineering stores from June last.

Mr. Ginwala.—As far as you could give them for a full financial year. I take it that you have completed one full year.

Mr. Kirkhope.—We have completed one full financial year in textiles and are completing another financial year in textiles and engineering but we did not start purchasing engineering stores at the beginning of the financial year. The average figure so far for engineering—from June last up to the middle of this month—has been two lakhs a month.

Mr. Ginwala.—Do I understand that as far as you are organised at present your activities are confined more or less to the two classes of purchases—textiles and engineering?

Mr. Kirkhope.—Yes, but engineering covers a very wide range. Engineering includes hardware, oils, etc., and textiles practically cover all the possible purchases. We do not purchase paper for example or anything in the way of stationery.

Mr. Ginwala.—Who purchases that?

Mr. Kirkhope.—The Controller of Printing, Stationery and Stamps.

Mr. Ginwala.—What is the total value of the transactions that you put through in a year?

Mr. Kirkhope.—The textiles would be about Rs. 1¼* crores and in engineering, so far, from our average it will be about Rs. 24 lakhs, but that of course gives no indication as to what the future will be. We started

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* This I believe will go up greatly.

in June and our first purchase was not made for some time after we started, and we still have a lot of purchases to complete. Our biggest purchases are only now coming on.

Mr. Ginwala.—In that I would like you to give us some idea as to what proportion was imported and what was locally purchased. Can you give us some idea?

Mr. Kirkhope.—Our Administration Report gives the proportion of textiles, which was 92 per cent. last year for locally purchased and locally manufactured.

Mr. Ginwala.—With regard to engineering, you are not in a position to say?

Mr. Kirkhope.—I am not in a position to say absolutely just now, but it is perfectly plain that the bulk of the engineering purchases will be of imported materials for some time.

Mr. Ginwala.—That is what I gather also. You cannot give us any figure which will be of great value showing the proportion between the articles imported and those locally manufactured?

Mr. Kirkhope.—I cannot give you figures of any value. I could work out what was purchased of local manufacture. But I don't think that it would be useful. At the present stage it would be very small.

Mr. Ginwala.—In those Departments that purchase through you, what are the Departments that are compelled to do so? Are there any Departments of the Government of India or local Governments which are compelled to purchase through you or is it all optional?

Mr. Kirkhope.—The Government of India are at the present time considering what Departments should purchase through us but no decision has been come to as yet.

Mr. Ginwala.—Unless there was a certain amount of compulsion on some of these Departments to purchase through you, it would be expensive to run the whole Department, would it not?

Mr. Kirkhope.—That is correct. But curiously the Departments with whom it would always be optional to purchase through us are those that are making most use of us—the Departments of a Major Local Government, for example.

Mr. Ginwala.—Do I understand that, so far as railways are concerned, —I am talking of the State Railways and not the company managed railways —they do not purchase through your agency?

Mr. Kirkhope.—They are not compelled to purchase through our agency, and the matter of their coming to us for all purchases is before the Railway Board now. At present they purchase through our agency articles of jute, canvas and a few others.

Mr. Ginwala.—Those are locally manufactured?

Mr. Kirkhope.—Yes. They have come to us voluntarily for the purchase of certain articles—for instance creosote. About five lakhs worth of creosote was purchased for them the other day.

Mr. Ginwala.—I take it that that generally applies to two cases, *(i)* when the thing is urgently required and *(ii)* when it is locally manufactured.

Mr. Kirkhope.—Yes. Creosote, for instance, is locally manufactured.

Mr. Ginwala.—It may be one or the other or both, but in most other cases they purchase direct.

Mr. Kirkhope.—Yes. Practically all purchases are made direct. They come to us for very little indeed.

Mr. Ginwala.—In answer to question III—that is the most important question from our point of view—you say that you are not precluded from purchasing imported articles.

Mr. Kirkhope.—Yes. Imported articles may be purchased under rule 3 of the Stores Rules.

Mr. Ginwala.—You also purchase locally manufactured articles, but the point I want to bring out is this. Take a case where a locally finished article is manufactured out of imported material which pays a duty: pit head gears, for instance. They are now classed as machinery as you know. Now if the local manufacturer has to pay on the materials that he uses a duty of 10 per cent. whilst the finished article comes at 2½ per cent. you would take into account the duty of 2½ per cent., would not you, in comparing prices, whereas as a matter of fact he pays a duty of 10 per cent. on 60 per cent. of his materials. In a case like that, is this comparison under the rule fair between the two articles?

Mr. Kirkhope.—Obviously on the face of it, it is not fair.

Mr. Ginwala.—In that case, does the rule really help the local manufacturer?

Mr. Kirkhope.—I don't think that the rule precludes us from considering the question as you put it. We could estimate that say 60 per cent. of the finished article is made from imported material and calculate accordingly.

Mr. Ginwala.—You could, but will you be allowed to say that because there is the further qualification that you must buy in the cheapest market?

Mr. Kirkhope.—I think that I cannot commit Government by an expression of opinion on that point, but I feel sure that, if it were put before Government in that light, they would accept it as reasonable.

Mr. Ginwala.—Quite so. In this particular industry which we are enquiring into that question comes in. That is why I am asking you about it. Has there been any suggestion up till now that in comparing prices you must make allowance for the higher duty that the local manufacturer has got to pay on his raw materials, as compared with the duty on the finished article?

Mr. Kirkhope.—There was almost a similar case, *viz.*, the question of electric cables.

Mr. Ginwala.—I know that case very well. At present I am not discussing the question of the removal of the duty on raw materials. That is a much wider question. I am at present concerned with this rule under which you are asked to compare prices. I mean to say that, if you literally follow that rule, it does not meet the requirements of the Indian manufacturer, does it?

Mr. Kirkhope.—It does place the Indian manufacturer on a less advantageous basis than the home manufacturer, but I don't think that, if we calculated prices as you suggest, the Government of India would refuse to support us.

Mr. Ginwala.—I am not referring to your Department at all. There is a general complaint that in comparing these prices the duty first of all is not taken into account. Now this would go further than that. You may take the duty of 2½ per cent. into account but what should be taken into account is the duty of 10 per cent. on raw materials. Do you think that unless some alteration is made in the rules themselves, all Departments would do it?

Mr. Kirkhope.—I am afraid I cannot commit myself to an expression of opinion with regard to other people.

President.—I quite understand that your Department which has got a big organisation in comparing prices would be able to work out the duty paid on the raw materials by the local manufacturer, but if it were an individual Government officer, he could hardly work that out, because he is not in a position to estimate what the amount is.

Mr. Kirkhope.—We have these figures of cost before us. We keep the tariff schedule up-to-date and they may not keep it up-to-date. It is very difficult, indeed for the individual officer, though not difficult for us.

President.—That is so. Take the example of pit head gears. It would be possible for you to ascertain without much difficulty from the local manufacturer what quantity of steel he would use and what duty he would have

to pay on it. Therefore you could work out the proportion of that to the total cost. But I don't see how an Executive Engineer of the Roads and Buildings Branch of the Public Works Department could do that.

Mr. Kirkhope.—There is another point by which the local manufacturers are placed on a more advantageous basis than Mr. Ginwala suggests and it is this: that in calculating the duty payable on a fabricated article such as pit head gears we should calculate the duty not only on materials but also the labour put into the structure.

Mr. Ginwala.—That would be 2½ per cent., would it not?

Mr. Kirkhope.—Two-half per cent. on the total. 60 per cent. of the Indian manufacture would come in at 10 per cent. and 40 per cent. is labour cost which would also get 2½ per cent.

Mr. Ginwala.—Even so, he would be at a disadvantage.

Mr. Kirkhope.—But not so much. It depends on the ratio of material to manufacturing cost. Pit head gear happens to be a simple structure where the cost of material is more than the cost of labour, but there is a converse to this—more labour and little material.

Mr. Ginwala.—That is perfectly true, but the point is this. Before you can compare prices, you must put both the manufacturers more or less on the same basis.

Mr. Kirkhope.—Yes.

Mr. Ginwala.—Here in this case it is a question of steel that is used, but there are other raw materials used by the Indian manufacturer on which also he has got to pay a duty. That is not ordinarily taken into account in comparing prices, is not that so?

Mr. Kirkhope.—We realise that. I have with me various anomalous cases. For instance, in the manufacture of cables which we have discussed, there is a tariff rate on the cable as manufactured but there are quite different tariff rates on the component parts of the cable.

Mr. Ginwala.—That is a particularly bad case.

Mr. Kirkhope.—Then there are other cases like corrugated sheets. There is a certain tariff rate on the black sheet; and another on the spelter for galvanising. Presumably galvanising is going to be done in India. Galvanised sheets are allowed to come in at a certain rate which I think is 10 per cent. The spelter is allowed to come at 15 per cent., so that to make corrugated sheets you have to use component parts paying a duty of 10 per cent. and 15 per cent.

Mr. Ginwala.—With regard to the purchase locally of imported articles do you remember what Sir Campbell Rhodes said in his note in the report of the Railway Industries Committee, page 9? The gist of that is that it is not cheaper for Government to import articles which could be locally purchased, and one of the reasons he gives there is that it costs Government a certain amount of overhead charges to stock and to purchase also. First of all, does Government incur overhead charges by having to import articles?

Mr. Kirkhope.—I do not quite understand.

Mr. Ginwala.—Supposing you wanted a certain article, you call for a tender. The local merchants quote say £10. Then you say "you want £10. I can get this article landed here at £9. I cannot buy from you because there is a difference of £1," but the contention is that the difference of £1 means a certain amount of overhead charges and other expenses that Government have incurred though they have not taken them into account in getting that amount of £9. Are there any overhead charges or not?

Mr. Kirkhope.—I do not see any overhead charges except those that we have taken into consideration, interest and so on.

Mr. Ginwala.—You have got the whole purchasing department there in London: you have got your testing officers: you have got various other departments which are connected with the purchase of stores in that way.

In calculating the difference between the imported price and the price at which you purchase an article locally here, do you make an allowance for the overhead charges that you must necessarily incur at the other end?

Mr. Kirkhope.—No, because we consider that the Indian Stores Department expenses are practically the same as the London Stores Department expenses.

Mr. Ginwala.—But that is expenditure at both ends. You import an article for some department of the Government of India. You get into communication with your London Department. That Department says that the c.i.f. landed price is £9. You have made enquiries here from local merchants, say Mr. Smith, and he wants £10. So there is a difference of £1. Is that £1 the real difference in the actual cost of the article to the Government?

Mr. Kirkhope.—That is the actual difference, I think, in our way of calculating.

Mr. Ginwala.—Do you make any allowance for your administrative and other charges at the other end in every case in which you import an article? This man gives you the article on the spot: you do not incur any other expenditure. There is no overhead charge here but at the other end.

Mr. Kirkhope.—There is our overhead charge.

Mr. Ginwala.—Will you add that to the price?

Mr. Kirkhope.—The one cancels the other.

Mr. Ginwala.—You ask for a tender and a merchant quotes £10. You cable home for the article. Do you take into account the expenses at the other end on that article when you compare the price of that with the price that was quoted here.

Mr. Kirkhope.—Do you mean the cost of the cable, cost of stationery and labour, etc.?

President.—The suggestion is rather this. The cost of purchase in England includes a proportion of the cost of the Director General of Stores' office. There ought therefore to be an addition to the purchase price of each imported article on this account. In other words the cost of the Stores Department would be spread over the entire purchases, so that there would be an average percentage on the value which ought to be added to purchases made through the Director General of Stores.

Mr. Kirkhope.—We know that comes to about 2 per cent. and that is what we charge, 2 per cent. for purchase and inspection; so that the two balance.

Mr. Mather.—Is that 2 per cent. actually debited to the final purchasing department and a similar 2 per cent. debited in the case of purchases made at home?

Mr. Kirkhope.—It is so in actual fact, but I am afraid indenting departments do not really see it.

Mr. Mather.—Then it is not a burden on the departmental budget, but the 2 per cent. that you charge is a burden on the budget?

Mr. Kirkhope.—The indentor is charged the cost of the article *plus* 2 per cent.

Mr. Ginwala.—That is for your department. In comparing the import price with the local price do you take that 2 per cent. with the foreign price?

Mr. Kirkhope.—No, we do not. I think they cancel each other.

Mr. Ginwala.—I do not know whether that is the position. Here you may not incur any additional expenditure even though you add 2 per cent.

Mr. Kirkhope.—That is quite true.

Mr. Ginwala.—If you import, your expenditure will remain the same at this end.

Mr. Kirkhope.—Within limits it will remain the same, but as our purchases grow our expenditure will increase.

Mr. Ginwala.—It is not a question of expenditure at this end. The question is that merchants complain that when an article can be locally purchased at a slightly higher rate, it is not purchased because the price is higher, and he says that the charges that ought to be added at the other end are not added.

Mr. Kirkhope.—I cannot see that it makes any difference. To each of the quotations, £9 and £10, should be added 2 per cent., and we have a still greater difference because 2 per cent. on £9 is less than 2 per cent. on £10.

Mr. Ginwala.—In the case of the imported articles purchased locally you have to submit them to tests?

Mr. Kirkhope.—Yes.

Mr. Ginwala.—Is that so in every case?

Mr. Kirkhope.—If you mean by test, inspection generally, inspection covers testing the material and other examinations, we always purchase after inspection.

Mr. Ginwala.—But when the article is imported you do not inspect it any further in this country, do you?

Mr. Kirkhope.—We do not test or inspect articles if they come through the Director General of Stores. There was only one special case—a case of urgency—I know of, where we had to do it. In order to get an article out into the country very quickly, the Director General's test has been waived and we undertook the test here. But that is a very special case and does not really come in.

Mr. Ginwala.—Have you found much difference in the price—I am talking of imported articles—when you have purchased them in the country and when you have imported them direct?

Mr. Kirkhope.—You are still talking of articles fabricated abroad. In some cases there is a difference and in some others there is practically no difference, and in these cases we have been able to place orders in the country.

Mr. Ginwala.—What is the proportion of the two? Do you generally manage to get your requirements here or do you more often import?

Mr. Kirkhope.—As I have stated already when the matter is one of great urgency and when the indenter must have the stuff at once, we purchase in the country only comparing the prices from that point of view: that is to say, we make allowance for the urgency; but when there is time to get an article from home and the home article is cheaper it is got from home.

Mr. Ginwala.—Do you usually find the home article cheaper taking into account everything?

Mr. Kirkhope.—Yes, but I qualify that by saying that our experience is that prices have been kept rather high here and they are coming down steadily.

Mr. Ginwala.—In that do you make any allowance for the fact that the local merchant has got to stock his article?

Mr. Kirkhope.—No.

Mr. Ginwala.—Should not some allowance be made for that because you have got to send your indent long in advance whereas you expect the local man to have the articles on the spot, and at the same time you do not make any allowance for the fact when comparing prices.

Mr. Kirkhope.—I think that turns on the urgency of delivery.

Mr. Ginwala.—He makes you pay for it at that time: he wants his own price and you have got to pay it, but I am talking of the normal condition of business. Is he not entitled to ask you to take that into account?

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Mr. Kirkhope.—If we can afford to wait for the article and the Indian importer can import it equally with the exporter of a home manufacturer then he is on all fours.

President.—Is not there this possibility? As long as you purchase anything direct from the manufacturer there, in the case of things that are in common use and constantly required, Government Departments in India should carry a certain amount of stock themselves. But if purchases were made in India, that stock would be carried by the importer. Of course special articles are required for special works. But take the case of steel joists for buildings.

Mr. Kirkhope.—As a young department we have not had very much experience of that sort of thing. In the engineering articles we have dealt with up to now, there is so great a diversity that we could not expect any importer to keep stocks, but if we take an article in common use, such as, electric lamps, we make running contracts. These articles are stocked by the contractor all over the country and, as the indenting officers require them, they simply write to manufacturer's depot for the supplies. The contract provides for a maximum and a minimum, with a clause providing for due notice if the maximum quantity is to be exceeded. In that case, of course, the manufacturer stocks everything and the ordinary consuming officers stock nothing. There are other articles that we are attempting to work on the same lines, for example, bicycle tyres. We have just started to purchase these, and we hope that we will be able to work out a similar contract with them. We will give the approximate monthly consumption of tyres and the contractor will stock sufficient for his month's supply and the indenting officer as he wants them will indent for the tyres.

President.—That is, instead of the department holding the stock and paying interest charges and so on, it will pay under this system to the contractor who has to carry the stock for them.

Mr. Kirkhope.—Yes.

Mr. Ginwala.—You are referring to this mandate from the Legislative Assembly. It is rather going further than the Legislative Assembly did. Was not that the case in which it was suggested that certain stores, railway materials and so on, were purchased in the United Kingdom at a higher rate than they could have been purchased on the Continent and it was in that connection that the Legislative Assembly said that the articles were to be purchased in the cheapest market. Had it any reference to Indian industries?

Mr. Kirkhope.—We understand it to be so.

President.—What had you in mind when you said "a clear mandate from the Legislative Assembly?" What resolution or Act of the Assembly are you thinking of?

Mr. Kirkhope.—The particular incident to which Mr. Ginwala referred.

Mr. Ginwala.—I remember that debate and it chiefly turned on this question. Sir William Meyer gave evidence before the Acworth Committee that he had to buy for some reasons in the British market, even though some of the things might have been bought on the Continent at a cheaper rate, and that led to some debate. Was not it rather in that connection?

Mr. Kirkhope.—When we compare prices we are not merely comparing British and Indian prices. We will buy French or Belgian steel and have bought American machinery in competition with British machinery.

Mr. Ginwala.—I am trying to draw a distinction. This decision and this debate of the Legislative Assembly had hardly much reference to buying in the cheapest market where Indian manufacture is concerned. They never said that preference should not be given to the Indian manufacture because there was a difference in price.

Mr. Kirkhope.—We understand that no preference is to be given to Indian manufacture. That is how we interpret the mandate.

Mr. Ginwala.—I am perhaps mistaken. My recollection is that this debate proceeded on this particular purchase in the United Kingdom rather than on the Continent at that time. Am I to take it that even when there is a slight difference between the Indian price and the foreign price almost invariably you must accept the lower price?

Mr. Kirkhope.—By slight difference you mean one per cent. or so?

Mr. Ginwala.—It is difficult to say: 1 per cent. may be negligible, say 5 per cent.

Mr. Kirkhope.—My answer to that is that we are guided by prices.

President.—Of course you are bound by the recent orders of the Government of India. What we are really entitled to ask you is what you consider the existing orders to mean and how you carry them out?

Mr. Ginwala.—I mean to say, do you gather your orders to buy in the cheapest market from your rules?

Mr. Kirkhope.—Yes.

Mr. Ginwala.—They do not always say that they should be purchased in the cheapest market.

Mr. Kirkhope.—There are qualifications. We never buy a thing merely because it is the cheapest. We have to provide a quality sufficiently good for the purpose.

Mr. Ginwala.—Quality being the same?

Mr. Kirkhope.—Yes, what I may say is that we aim at equal value. We do not aim at the cheapest price.

Mr. Ginwala.—But the point is that there is no preference in favour of the Indian manufacture so far as the principle of Government purchase is concerned?

Mr. Kirkhope.—No. Mr. Reaks points out that there is in fact preference, *i.e.*, other things being equal we must purchase from the Indian manufacturer.

Mr. Kale.—Does it mean that some latitude is given to you in interpreting this rule?

Mr. Kirkhope.—I think I have answered that question before. We are guided by price, quality and general suitability.

Mr. Ginwala.—In connection with some structural materials and other articles it has been suggested to us by some of the firms that, even when the prices are the same and the quality is the same, orders are sent home for those articles. Would your department plead guilty to that charge?

Mr. Kirkhope.—Certainly not.

Mr. Ginwala.—May I take it that so far as your department is concerned it does not?

Mr. Kirkhope.—Certainly, it does not.

Mr. Kale.—But is there any truth in the complaint, not of course with reference to your department?

Mr. Kirkhope.—I cannot answer that.

Mr. Kale.—Have you got any information?

Mr. Kirkhope.—It is hardly information. What is gossip is not information.

President.—Has anything come to you officially which you are at liberty to mention to the Board?

Mr. Kirkhope.—I can only say with regard to that, whenever an indent is placed on the Director General of Stores for anything that we believe can be manufactured in India, we write to the indenting officer and suggest that he should procure the article in India provided the price is reasonable.

President.—But do they come to your notice?

Mr. Kirkhope.—Every indent that goes to the Director General of Stores from any department comes to our Department.

Mr. Mather.—Not in original, but a copy is sent to you?

Mr. Kirkhope.—Yes.

Mr. Ginwala.—Is it for your information or is it for you to take any action?

Mr. Kirkhope.—We criticise it.

Mr. Ginwala.—Do you send your criticism to that particular department?

Mr. Kirkhope.—We go through the indent item by item and we draw the attention of the indenting officer to any article that we consider can be manufactured in India.

Mr. Ginwala.—This is one of the points I wish to know more about. Can you give us any instances in which this has been done? You need not name the department, if you do not wish to.

Mr. Kirkhope.—There have been cases where structural steel work has been sent home, and we have taken up with the department concerned and suggested that they should get the steel work in India.

Mr. Ginwala.—That complaint, then, that I referred to, has some foundation for it because it was in reference to structural work. One of the reasons given for this is that the purchasing department wants to avoid the dick and worry of inspection and various other things in this country which can be transferred to some other department at home. Do you think that has something to do with it?

Mr. Kirkhope.—Well, I think the line of least resistance is the easiest one to take. They have been accustomed to go home. It gives no trouble: they have merely to write for the article and they get it.

President.—As soon as they begin to employ your department, the relief from responsibility ought to be quite as real on this side as on the other.

Mr. Kirkhope.—We can get hold of the officer in India easily: get him on the telephone or write to him and get a direct reply, or in certain cases go to the site so that we readily ascertain exactly what is required and is most suitable.

Mr. Ginwala.—Do you think, so far as these purchasing departments are concerned, you would take over the responsibility, so far as inspection and other things go, that is now on the home department?

Mr. Kirkhope.—We function exactly the same as the home department does in the case of orders placed with us, that is on the details given we draw up a specification or a complete scheme, if necessary, and if we think it necessary we send our specification to the indenting officer for his criticism; then we call for tenders and consider the tenders, and again, if necessary, we ask the indenting officer to go through certain points with us and we then place the contract. We see to the inspection of the article throughout the course of manufacture. If it is an article like machinery, after it is erected, we see it again and give it a running test.

Mr. Ginwala.—So that in that case from the point of view of the indenting officer he would be in the same position so far as trouble and worry goes?

Mr. Kirkhope.—He would be in a rather better position because we are more easily approachable.

Mr. Ginwala.—So that this idea that by indenting for these articles from abroad he saves a lot of worry is a matter of habit?

Mr. Kirkhope.—It is to a great extent a matter of habit, but for articles manufactured abroad we cannot function in the same way because we have not got our inspectors there.

Mr. Ginwala.—The reason given was that he would rather indent for that thing than purchase it in India because it would save him a lot of trouble, whereas according to what you have said just now that is only a misappre-

hension on his part. It would save him just as much trouble and probably more.

Mr. Kirkhope.—Yes, he would probably save himself from much worry.

Mr. Ginwala.—Do you receive any direct complaints about fabricated steel and those articles that are manufactured in this country from the manufacturers that orders are going home?

Mr. Kirkhope.—It is difficult to give specific instances. We hear of these things. Such complaints usually go to the Industries Department who may pass them on to us to investigate.

Mr. Ginwala.—Are these complaints frequent?

Mr. Kirkhope.—No.

Mr. Ginwala.—I mean are the complaints with reference to your department or with reference to other departments who do not buy in this country?

Mr. Kirkhope.—We have had no complaints with reference to our department.

Mr. Ginwala.—Then these complaints are against other purchasing departments?

Mr. Kirkhope.—Yes.

Mr. Ginwala.—Have you found on investigation justification in any cases for these complaints?

Mr. Kirkhope.—We have not investigated many cases of that nature. On the other hand in many cases when we have brought to the notice of purchasing officers facilities for purchasing in India, they have taken our advice and purchased locally.

Mr. Ginwala.—What I mean to say is, if a complaint is made to the Industries Department by a manufacturer that his manufacture is not purchased by a department, probably he gives you an instance in which that has been done. Don't you investigate that particular complaint?

Mr. Kirkhope.—The complaints have been most general. We compile for the Engineering Association a statement showing what articles have been indented for on home which they say they are either manufacturers or importers of, and we publish that from time to time. It is usually when that statement goes out that they make a complaint. Then it is too late of course to make an investigation.

Mr. Ginwala.—That takes me to another complaint they have made, that is that very often they do not know that a particular department wants a particular article. They say that some of the indents go home and they do not hear anything about them.

Mr. Kirkhope.—They hear of it too late.

Mr. Ginwala.—Now, is there anything which can suggest that there might be some ground for such complaint? We are now concerned with the particular industry we are enquiring into now. We will have to do a good deal with it later on when the Engineering Department develops. Their complaint is that very often Government or a public body wants a particular article but they hear nothing at all about it. Even when they are in a position to give it at a proper price they do not get the order.

Mr. Kirkhope.—Indirectly we will help them: perhaps directly we will help them. We have proposals now before us that half-yearly we should publish a statement for the information of manufacturers, Chambers of Commerce, etc., of the articles that are going home. That is to say, if we find that there are so many cwts. of bolts going home, we will lump all these together and the net result will be say, 50 tons or 100 tons of bolts going home. The Indian manufacturer will then know that there is a big market for these.

Mr. Ginwala.—But the market for the time is gone.

Mr. Kirkhope.—But they will prepare for the next crop so to speak.

Mr. Ginwala.—Now take a case like this: You have got copies of these indents. Then you discover, as you discovered in that particular instance, that an order was going home which might have been placed here, would you in that case be prepared to tell the Indian manufacturer "Here is this order going home, will you be prepared to tender for it?"

Mr. Kirkhope.—We would not put it that way. If we find any article that is in an indent which we think can be manufactured in India, we at once write to the indenting officer and say that we believe that it can be manufactured in India, and simultaneously we write to those whom we think could manufacture the article and ask them for prices and deliveries, etc. We pass that information on to the indentor, and in many cases we have succeeded in having the order on home cancelled and placed in India.

Mr. Ginwala.—Do you get a copy of the indent in time to stop the tender going home?

Mr. Kirkhope.—We have actually succeeded in doing it. We get a copy in our hands before it reaches the Director General's hands.

Mr. Ginwala.—They do not tell you beforehand? They simply indent and then send you a copy?

Mr. Kirkhope.—They send it simultaneously.

Mr. Ginwala.—Then there is very little time to take action.

Mr. Kirkhope.—There is not much time, but still it is effective in many cases.

Mr. Ginwala.—I suppose that you have got to take action by cable?

Mr. Kirkhope.—Yes; the indent is suspended by cable.

Mr. Ginwala.—Can you suspend the indent over the head of the department concerned?

Mr. Kirkhope.—No; that is not in our power.

President.—When a department has definitely decided to employ you for, let us say, textiles, all their demand for textiles come to you in the first instance?

Mr. Kirkhope.—Yes.

President.—And it is left in your hands in which way the order is to be placed?

Mr. Kirkhope.—Yes.

President.—In that case you have the whole difficulty eliminated?

Mr. Kirkhope.—Yes.

President.—But the people whom you cannot control are those who have not yet employed you?

Mr. Kirkhope.—Yes.

Mr. Ginwala.—Don't you think it would be of advantage both to yourself and to the Indian manufacturer if there was some interval between the despatch of the indent home and the receipt of a copy by you, so that it enables you to persuade that department, after making enquiries, that it is to its advantage to place the order in India. I am simply asking you whether that would not be an advantage?

Mr. Kirkhope.—There would be if we were better organized and in a better position to say always with certainty that an article can be obtained in India, but we have so much preliminary investigation to make at present that it would mean delay. There are many things that we have got to examine carefully, *e.g.*, acid for batteries. We have been investigating glue. We have succeeded with red lead. White lead we are experimenting with, and many other things also we are enquiring into, but it takes a long time to get sufficiently accurate information that an article absolutely up to the specification can be supplied in India.

Mr. Ginwala.—That is to say, your organisation is not yet complete?

Mr. Kirkhope.—No, it is not.

Mr. Ginwala.—Now, with regard to simultaneous tenders, is it compulsory on all departments or they may send their indents without calling for any tenders? Is there any obligation on their part to call for simultaneous tenders in this country as well as abroad under the rules?

Mr. Kirkhope.—No.

Mr. Ginwala.—That is the basis of one of their complaints.

Mr. Kirkhope.—There is no rule definitely laying down that simultaneous tenders should be called for.

Mr. Ginwala.—From your department's point of view you would recommend such a course, wouldn't you?

Mr. Kirkhope.—I don't think I can answer that.

President.—Once you have got your organization complete and your intelligence thoroughly up to date, would it be necessary in the case of orders placed through you? You would naturally call for tenders if a thing were produced in India. You would know perfectly that a great many things were not produced in India, and there would be no particular advantage in calling for simultaneous tenders in that case.

Mr. Kirkhope.—We know now that a great many things are not produced in India, and there is no use calling for simultaneous tenders except in the hope of getting the stuff from an importer.

President.—What is really running in my mind is that the simultaneous tender method would be almost indispensable if there were no independent Stores Department, but the mere existence of a thoroughly independent Indian Stores Department to a certain extent does away with the necessity of simultaneous tenders in a good many cases.

Mr. Kirkhope.—It does in the case of certain very special articles.

Mr. Ginwala.—I was not referring to cases in which another purchasing department purchased through your department. I am talking of a purchasing department which is not under obligation to purchase through you. In that case would it not be better for the Indian manufacturer if there was compulsion to call for simultaneous tenders both abroad and here?

Mr. Kirkhope.—My personal opinion is that, from the point of view of the Indian manufacturer, it is desirable that simultaneous tenders should be called for, for articles that can clearly be purchased in India.

Mr. Ginwala.—And within certain limitations it would also apply to imported articles, would it not?

Mr. Kirkhope.—Yes.

Mr. Kale.—Do you think that your department will be capable of making purchases even on behalf of the railways which you are not doing at the present moment?

Mr. Kirkhope.—We believe that. We have gone up to the Railway Board through the Industries Department asking that the railways should come to us for purchases. That matter is still under consideration.

Mr. Kale.—I mean to say in the matter of wagons. There is nothing specially technical about it which you cannot handle—there is nothing like that?

Mr. Kirkhope.—There is nothing specially technical, which stands in our way.

Mr. Kale.—So there is no difficulty of that character in the way?

Mr. Kirkhope.—No. I may say that we have in the department officers who are accustomed to the building and running of wagons.

Mr. Kale.—What are the relations between your department and the corresponding department in London to-day?

Mr. Kirkhope.—There are no direct relations. One is not under the other.

Mr. Kale.—Both are under the Government of India?

Mr. Kirkhope.—Yes.

Mr. Kale.—Is it contemplated in any scheme that may be under consideration to transfer the work of the London department to your department?

Mr. Kirkhope.—That I must ask you to refer to the Government of India in the Industries Department.

Mr. Kale.—Do you think you are capable of taking responsibility for much of the work that is being done in London?

Mr. Kirkhope.—Yes.

Mr. Kale.—My impression is that the ultimate idea was to transfer most of the work from London to India. I want to know whether any steps are being taken in that direction.

Mr. Kirkhope.—As a Stores Department we cannot take any steps in that direction, and any steps that may have been taken, if they have been taken, have been taken by the Industries Department to whom you must refer.

Mr. Kale.—May I take it that one of the objects of the Stores Department is the promotion of the development of Indian industrial resources?

Mr. Kirkhope.—That is so.

Mr. Kale.—And subject to fair price and good quality you always try to attain that object: may I take it as that?

Mr. Kirkhope.—What do you mean by "fair price?"

Mr. Kale.—The same thing as "not unfavourable."

Mr. Kirkhope.—Then my answer is "yes."

Mr. Kale.—There are two things I see from your report. It is stated as one of the objects of the department to promote the development of Indian resources. At the same time you have to make your purchases in India subject to certain conditions as to quality and price. I want to know whether these two objects are consistent: whether one has not to be sacrificed for the other?

Mr. Kirkhope.—I don't see why it should be.

Mr. Kale.—Because in encouraging industries it may have to be done by sacrificing if not the quality at least the price.

Mr. Kirkhope.—We are not permitted, as regards cost, to do so.

Mr. Kale.—So far as your department is concerned, you are not allowed or expected to do that?

Mr. Kirkhope.—We are not expected to sacrifice either the quality or the price in the interest of an industry.

President.—Before the establishment of an Indian Stores Department it seems likely that the Indian manufacturer was frequently overlooked, but the mere existence of the department does operate to encourage him in the various ways which Mr. Kale has explained to you.

Mr. Kirkhope.—I can give many instances where we bring the possibilities of manufacture to the notice of Indian manufacturers. We are always looking for things of that sort and we are always bringing manufacturing possibilities to the notice of Indian manufacturers.

Mr. Kale.—In that way their development is facilitated? Formerly they would not have been able even to know exactly how things were going; much less could they have an opportunity to tender?

Mr. Kirkhope.—They get an opportunity not only when we write to them, but we are constantly seeing the manufacturers. A great deal of my time is taken up in interviewing those interested in Indian trade or manufacture.

Mr. Kale.—That practically amounts to direct encouragement?

Mr. Kirkhope.—It is direct encouragement. The manufacturer comes to us and he says he is capable of manufacturing certain things. We have specification whereby that article can be judged. We ask him to submit samples either to our head office, or to the Test House, or to the Metallurgical Inspector, and the articles are examined usually or they are analysed or tested

by various methods. They may come up to the standard and we say that we are prepared to recommend the article for general use. If they do not come up to the standard we say in what respect it fails to come up to the standard, and ask the manufacturers to improve in the direction indicated. We are constantly doing that.

Mr. Kale.—That was what I wanted to know exactly. That does amount, to my mind, to giving direct encouragement.

Mr. Kirkhope.—The other day, for instance, we picked up in Calcutta a little piece of iron used by millions for baling jute. We sent that to Tatanagar to our Metallurgical Inspector and asked him if Tatas could make them. His answer was that Tatas could roll the bar and that a certain engineering works close by could punch the holes. We then wrote to the firm near Tata's works and stated " here is the sample, the market is so and so, go ahead." If they like to push the market, they can. That is only one instance. I can give you many instances.

Mr. Ginwala.—Have you imported any structural materials since June?

Mr. Kirkhope.—Do you mean by " structural materials " bridges, roofs and that sort of thing?

Mr. Ginwala.—Yes.

Mr. Kirkhope.—No. Up to the present time we have done no bridges or roofs. The only thing that approaches structural materials is the cranes that I referred to earlier. These will be imported shortly.

Mr. Ginwala.—They are treated as machinery.

Mr. Kirkhope.—Yes. This is a peculiar case. They are hand cranes and yet they have certain holes which allow them to be operated by electrical machinery. That may rather puzzle the Customs authorities.

Mr. Ginwala.—The holes may be there merely to save 7½ per cent.?

Mr. Kirkhope.—That is our specification, not the manufacturers'.

No. 80.

Chief Mining Engineer, Railway Board.

Written.

Statement I.—Letter from the Chief Mining Engineer, Railway Board, to the Tariff Board, dated October 5th, 1923—replying to the Tariff Board's questions.

I have to acknowledge the receipt of your letter No. 350, dated the 1st asking for certain information regarding the rise in the price of coals from 1914 and the probable price during the next 4 or 5 years. The following table shows the average prices paid by Railways for their Locomotive Coal year by year from 1913:—

—	Desherghur Quality.	Coking. Selected Jharia.	Coals. 1st Class Jharia.
	Per ton f.o.r. colliery.	Per ton f.o.r. colliery.	
	Rs. A. P.	Rs. A. P.	Rs. A. P.
1913	5 4 0	3 0 0	3 0 0
1914	5 4 0	3 14 0	3 14 0
1915	5 0 0	4 0 0	3 12 0
1916-17	4 12 0	4 0 0	3 4 0
1917-18	4 8 0	3 8 0	3 4 0
1918-19	5 4 0	4 8 0	3 4 0
1919-20	6 4 0	5 4 0	4 12 0
1920-21	5 12 0	5 6 0	4 8 0
1921-22	7 8 0	6 4 0	6 0 0
1922-23	11 0 0	9 8 0	8 12 0
1923-24	11 12 0	10 4 0	9 8 0
1924-25	12 8 0	11 0 0	10 4 0

The increases from 1914 to 1921-22 inclusive were due solely to war conditions and labour unrest in the coal fields.

When the three years contracts—1922-23, 1923-24 and 1924-25—were entered into, I was on long leave in England but in the correspondence on record my predecessor states that the prices were the lowest that the trade would agree to and were arrived at after several meetings between himself and representatives of the Indian Mining Association.

My own opinion is that the price of good Jharia coal (*i.e.*, Selected Jharia and 1st Class Jharia) will come down to some extent after March 1925 but it is doubtful whether these coals will ever be sold to Railways again in large quantities under Rs. 9 per ton.

a large quantity of the coal consumed by the large Iron and Steel Works is purchased either at the actual rate paid by the State Railways for coal of a similar quality or at the State Railways rate *plus* annas eight, and I do not consider that the lack of adequate transport facilities has had anything to do with the rise in the price paid by Iron and Steel Companies for their coal during the past 10 years.

Statement II.—Letter, dated December 12th, 1923, from the Chief Mining Engineer, Railway Board, to the Tariff Board—giving additional information asked for.

I enclose herewith the following statements:—

(1) Tabular statement of Railway purchases of coal, year by year, from 1909 in total quantities.

(2) Total amount of coke manufactured at Giridih, Bararee, Lodna and Loyabad by-product plants.

(3) Amount of coal per ton required for manufacture of coke by Giridih, Bararee, Lodna and Loyabad.

(4) Large purchases for Railways.

(5) Statement showing output of Railway Collieries with raising cost and present monthly output.

(6) A statement of the costs at Kargali Colliery.

I have not yet received the output, etc., figures of Giridih and Joint Colliery at Bokaro from the Agent, East Indian Railway.

STATEMENT No. (1).

Locomotive coal from the year 1909 to 1924-25.

Railways.	1909.	1910.	1911.	1912.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.	1921-22.	1922-23	1923-24.	1924-25.
	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.
N. W. Railway	716,708	682,468	740,105	791,766	632,582	735,023	766,054	779,247	860,160	884,968	900,288	989,431	636,834	1,208,000	1,184,000	1,226,000
E. B. Railway	246,100	256,588	284,122	319,344	335,136	334,635	323,414	319,356	274,960	288,302	309,049	330 242	348,477	428,000	428,000	428,000
O. and R. Railway	151,545	155,147	177,571	191,589	204,091	202,715	195,029	199,997	207,501	203,874	212,407	205,983	232,329	306,000	348,000	354,000
B. and N. W. Railway.	117,323	123,475	133,898	145,476	146,640	143,370	148,010	151,679	138,186	150,317	145,380	141,276	143,247	204,000	234,000	[illegible]
G. I. P. Railway	615,966	678,390	748,253	763,034	813,915	857,494	940,171	1,097,910	1,149,425	1.172,346	1 202,291	1,169,556	932,806	684,000	690,000	[illegible]
B. B. and C. I. Railway.	292,156	316,577	375,300	439,393	424,218	415,480	467,343	489,418	519,846	565,292	602,761	644,382	470,229	720,000	750,000	764,000
M. and S. M. Railway	240,978	270,136	279,667	290,839	333,538	363,168	377,542	418,731	413,858	419,998	406,900	417,075	339,310	267,000	267,000	267,000
S. I. Railway	143,704	142,487	158,424	169,307	187,651	200,023	206,797	213,771	168,034	160,833	181,245	223,412	224,775	264,000	264,000	276,000
R. and K. Railway	12,686	12,596	16,231	25,332	28,813	26,268	25,898	26,605	26,230	30,464	29,814	·29,113	23,134	30,000	36,000	..
J. B. Railway	24,776	32,322	42,095	53,908	50,700	48,548	63,614	63,747	65,091	61,654	54,454	60,140	60,510	76,000	76,000	76,000
A. B. Railway	43,882	42,756	46,836	47,839	52,646	55,878	52,662	48,173	47,460	49,749	52,406	61,616	52,368	60,000	60,000	60,000
B. D. Railway	4,088	4,201	4,479	5,444	7,266	7,291	6,557	6,397	5,702	6,548	6,892	6,977	6,773	7,000	7,000	7,000
Bhavnagar Railway	985	2,598	7,049	8,175	4,910	9,384	7,981	7,994	8,275	11,153	11,670	11,395	13,908	13,000	13,000	13,000
Burma Railway	105,791	110,597	113,100	118,695	128,889	120,676	109,434	103,849	93,945	90,585	95,402	146,035	150,970	200,000	200,000	200,000
Gondal Railway	..	..	8,516	9,077	8,413	10,222	8,721	9,888	12,557	14,279	15,221	15,545	13,462	16,000	16,000	16,000
Jamnagar Railway	..	..	1,534	1,492	1,581	1,697	1,510	1,995	1,842	2,405	2,264	2,455	3,371	5,000	5,000	5,000
Junagad Railway	..	..	2,461	2,938	3,026	3,246	3,547	4,066	4,268	4,563	5,158	6,510	5,213	7,000	7,000	7,000
Mysore Railway	..	..	..	..	..	..	..	..	516	2,186	7,994	13,436	16,792	28,000	28,000	28,000
B. P. Rilway	..	..	..	..	1,884	1,990	1,920	1,894	1,800	1,895	2,130	1,624	3,001	2,000	2,000	2,000

STATEMENT No. (2).

Total amount of Coke manufactured at Modern Plants.

Year.	Lodna.	Bararee.	Loyabad.	Giridih.
	Tons.	Tons.	Tons.	Tons
1914	..	..	..	38,539
1915	..	..	..	37,872
1916	..	..	..	41,789
1917	37,877	..	..	43,490
1918	38,288	..	..	45,742
1919	42,069	..	42,751	45,690
1920	36,637	..	69,629	44,677
1921	37,444	695	82,012	39,720
1922	35,567	44,799	66,355	41,953

STATEMENT No. (3).

Consumption of Coal per ton of Coke manufactured.

	Tons.
Lodna	1·35
Bararee	1·49
Loyabad	1·24
Giridih	1·33

STATEMENT No. (4).

Large purchases for Railways during 1923-24.

	Colliery Seam.	Tons.	
N. W. Railway—			
H. V. Low and Company .	Ekra (11, 12, 13 and 14) .	90,000	Jharia.
	Lakurka (12, 13, 14 and 15)	120,000	„
	Kasta Group . . .	72,000	Desherghur.
Villiers, Limited . .	Bagdigi (14, 14A and 15)	100,000	Jharia.
Bird and Company . .	Katras (12, 13, 14 and 15)	96,000	„
	Loyabad (12, 13, 14 and 15)	132,000	„
	Mudidih (12, 13, 14 and 15)	84,000	„
Agabeg Brothers . .	Jogta (12, 13, 14 and 15)	100,000	„
Anderson, Wright and Co .	Central Kirkend (12, 13 and 15) . . .	120,000	„
	Dhori (Kargali) . .	66,000	„

	Colliery Seam	Tons
E. B. Railway—		
Martin and Company	Kusunda Nyadee (10, 11 and 12)	90,000 Jharia.
G. I. P. Railway—		
N. C. Sircar and Sons	Baraboni, Rampur, Monoharbahal, Chota Nuni (Poniata)	50,000 Desherghur.
Bird and Company	Saltore (Desherghur)	72,000 ,,
Macneill and Company	Akalpore, Mandalpur and Jamuria (Poniata)	90,000 ,,
	Chowrasie and Nodiha (Desherghur)	50,000 ,,
N. C. Sircar and Sons	Rana, Babisole, Madhabpur Nimcha, Raghunathbutty and Porascole	108,000 ,,
B., B. and C. I. Railway—		
Macneill and Company	Jamuria, Akalpore and Mandalpur (Poniata)	60,000 ,,
H. V. Low and Company	Behmandih (17)	60,000 Jharia.
	New Kessurgurrah	60,000 ,,
B. and N. W. Railway—		
Villiers, Limited	Jainty Central	72,000 ,,
M. and S. M. Railway—		
Bird and Company	Saltore (Desherghur)	72,000 Desherghur.

STATEMENT No. (5).

Output of Kargali Colliery.

	Tons.	Cost per ton.
1917-18	105,814	Rs. 2-5-4·28.
1918-19	192,223	Rs. 2-5-2.
1919-20	272,367	Rs. 2-7-5.
1920-21	329,744	Rs. 2-11-5.
1921-22	359,565	Rs. 2-14-10.
1922-23	382,036	Rs. 3-10-11.

Output of Mohpani Colliery in the Central Provinces.

	Ton	Cost per ton.
1914-15	58,000	
1915-16	52,000	
1916-17	56,000	
1917-18	75,000	Rs. 7-4-4.
1918-19	77,000	Rs. 8-10-4.
1919-20	86,000	Rs. 8-8-9.
1920-21	85,000	Rs. 10-8-3.
1921-22	87,966	Rs. 10-11-6.
1922-23	84,574	Figures not received.

Monthly Raisings at present.

Kargali	35,000 tons per month.
Mohpani	7,000 tons per month.

STATEMENT No. (6).

The following shows the cost per ton at Kargali Colliery.

Particulars.	Cash.	Stores.	Total.	Cost per ton.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
General Superintendence.				
Senior Manager and Assistant Manager's salaries.	..	..	..	0 1 3·20
Senior Manager and Assistant Manager's allowances.	..	..	..	0 0 1·95
Subordinate Superintendence	..	..	..	0 0 1·88
Subordinate Superintendence allowances.	..	..	..	..
Office Establishment . .	..	..	..	0 1 1·39
II.—Working Expenses.				
Payment to Contractors .	..	..	..	1 7 8·84
Maintenance of Siding . .	..	..	..	0 0 6·15
Other labour not included in coal raising contract.	..	..	..	0 5 5·53
Stores and Tools . . .	..	..	..	0 5 10·90
Rent and Royalties . .	..	..	..	0 11 7·67
Repairs to Coal Tubs . .	..	..	..	0 0 9·38
Repairs to Machinery . .	..	..	..	0 1 0·89
Repairs to Buildings . .	..	..	..	0 1 0·93
Repairs to other Works .	..	..	..	0 0 10·23
New Minor Works . .	..	..	..	..
Sundries	..	..	..	0 2 6·28
Sundry Borings . . .	..	..	..	..
Sinking Fund . . .	..	..	..	0 2 3·00
Colliery Consumption . .	..	..	..	0 0 4·81
TOTAL .	..	..	..	3 10 11·03

Note.

SINKING FUND.

The percentage in respect of Sinking Fund charges has been calculated so as to reduce the Capital invested within the life of the Colliery that is to say the Capital outlay divided by the number of tons of coal which may be extracted as the probable yield from the mine.

The Capital cost of the Colliery has been taken at Rs. 30,00,000 up to 1925 and the average annual outturn has been taken at 3,50,000 tons for 60 years.

Statement III.

Showing the output of Giridih and Joint Bokaro Collieries, Overall cost per ton and expenditure on Block account year by year from 1913-14 to 1922-23 and the average monthly raising at present.

Giridih Collieries.				Bokaro Joint Colliery.		
Output.		Overall cost per ton.	Block account at end of each year.	Output.	Overall cost per ton.	Block account at end of each year.
	Tons.	Rs. A. P.	Rs.	Tons.	Rs. A. P.	Rs.
1913-14	665,822	1 9 5	51,87,070			1,92,367
1914-15	683,642	1 13 9	53,61,611			3,64,191
1915-16	776,924	1 13 9	54,51,745			5,93,814
1916-17	727,132	1 14 0	54,55,813	1,67,098	1 12 2	6,74,913
1917-18	665,743	1 15 6	54,99,031	2,85,391	1 15 4	7,35,051
1918-19	746,514	1 12 10	55,80,627	3,47,240	1 15 4	7,43,242
1919-20	768,414	1 15 7	56,74,281	4,53,471	2 2 3	7,74,309
1920-21	707,024	2 13 1	57,35,886	4,83,547	2 4 2	8,96,027
1921-22	630,872	4 5 2	61,12,582	4,91,619	2 5 11	10,89,868
1922-23	561,081	4 13 7	69,32,737	5,61,062	2 6 7	13,67,807
Average monthly raisings from April to October 1923—51,538 tons.				Average monthly raisings from April to October 1923—43,820 tons.		

Oral evidence of Mr. C. S. WHITWORTH, Chief Mining Engineer, Railway Board, recorded at Calcutta on the 6th November 1923.

President.—You are the Chief Mining Engineer with the Railway Board?

Mr. Whitworth.—Yes.

President.—Is it the function of the Chief Engineer to act as the Agent of the Railway Board in making coal contracts?

Mr. Whitworth.—As regards the State-worked railways I advise the Railway Board and also purchase for them. I do the same thing for the Company-worked railways.

President.—The negotiations are in your hands?

Mr. Whitworth.—The Railway Board advertise and I go through all the tenders and advise the Locomotive Superintendents of the three State-worked railways. Practically, the same course is adopted with regard to the Company-worked railways, except that the latter do not always accept my recommendations.

President.—Has this procedure been going on for some time?

Mr. Whitworth.—Yes.

President.—How long?

Mr. Whitworth.—Since about 1912.

President.—What has been the custom in the past in making these contracts? Are they for one year at a time or for more?

Mr. Whitworth.—Until the year commencing 1921, they were always yearly contracts. Only after that, the present contracts extending for three years for 1922-23, 1923-24 and 1924-25 were entered into.

Mr. Ginwala.—That is, till the end of the financial year?

Mr. Whitworth.—Yes, end of March 1925.

President.—I don't wish to ask any questions as to the circumstances in which these contracts were made. We are only interested in this question indirectly. What the railways pay for their coal affects everything and everybody. The Tata Iron and Steel Company like other Companies have contracts with various collieries by which they pay either the same rate as the Railway Board pays or 8 annas more per ton.

Mr. Whitworth.—That is so.

President.—Now taking the market price of coal to-day for the selected Jheria or 1st class coal, is the price above or below the contract price?

Mr. Whitworth.—Below at the moment.

President.—Could you tell us how long that has been the case?

Mr. Whitworth.—Roughly for the last nine months.

President.—And previous to that?

Mr. Whitworth.—The market price and the contract price were the same.

President.—Then, during the last 9 months, there has been in the open market some tendency for the price of coal to fall?

Mr. Whitworth.—Certainly.

President.—With reference to the question of the rise in price that has taken place—of course, there has been an increase during the war—what the Company chiefly drew our attention to was the large rise in price that had taken place since the war contrary to what had happened in most other countries where the price of coal had fallen heavily. You have told us in

your letter that in your opinion it is likely that there will be some fall in price, but that you don't think it at all likely that it will go much below Rs. 9 per ton as compared with Rs. 10 or 11 which is the present rate fixed in contracts for 1st class coal?

Mr. Whitworth.—No.

President.—Are you prepared to express any opinion as to the causes which have led to the increase in price since 1919-20 or thereabouts?

Mr. Whitworth.—The rise up to and including 1921-22 was solely due to war conditions and labour unrest in the coalfields, but on the big rise between 1921-22 and 1922-23 I would rather not express any opinion.

President.—I am thinking mainly of the open market price. I see the difficulty about the contract price.

Mr. Whitworth.—To a great extent the open market price is ruled by the railway rates.

President.—Quite apart from these contracts, are you prepared to express any opinion as to the rise in the cost of coal?

Mr. Whitworth.—As I said, it was partly due to war conditions and partly to labour unrest.

President.—You spend a certain amount of your time in the coalfields?

Mr. Whitworth.—Half of my time.

President.—You are acquainted with the conditions there?

Mr. Whitworth.—Yes.

President.—What has been the result of the labour unrest, that is to say, how has it operated to raise the price?

Mr. Whitworth.—The main rise took place in 1917 or 1918—I forget the exact date—when we were threatened with a general strike in the coalfields and coal rates were put up by eight annas per ton on condition that labour also received that percentage, and there have been threatened strikes since then which have added about two annas on the loading of coal and about two annas on the stacking of coal, until our present cost roughly is over twice as much as it was in 1914. Part of it is, of course, due to higher prices of materials which are coming down to some extent.

President.—But the wages are staying up?

Mr. Whitworth.—Yes, I don't think that there is any chance of wages coming down.

President.—The Mining Association and other witnesses have complained that the wages have doubled but the output is less, about two-thirds or so.

Mr. Whitworth.—That is so.

President.—Is there any chance of getting a better output?

Mr. Whitworth.—Of course, we are trying all that we can think of in the way of mechanical appliances but it takes a long time. In the railway collieries I am trying to induce labour to save but I have not had any success, I am sorry to say.

President.—During the harvest season, do the labourers go back to their villages?

Mr. Whitworth.—They will not work for more than 4 days in a week. They simply won't. They say "we have enough money to last us for a week." They won't trust us with their money either. I offered to start a Savings Bank for them. They prefer to spend it.

President.—Then you don't consider that the lack of adequate transport facilities has had anything to do with the rise in price paid by the Tata Iron and Steel Company?

Mr. Whitworth.—No.

President.—We had some evidence yesterday from Mr. Tarlton representing Messrs. Bird & Co. and what he said was this.

> "Speaking for the Coal Companies which my firm represent I here mention we are carrying and have carried a constant burden

of Rs. 1,00,00,000 of stocks for the past 8 years, which is approximately As. 8 per ton (interest charges). Analyse what this means in labour. We must engage labour, house it, and hold it in readiness to pick up dumped coal and load it as and when wagons are supplied. This labour is non-productive."

Must not that condition of affairs, which is due apparently to transport difficulties, increase the cost of all coal?

Mr. Whitworth.—That is not entirely due to lack of transport facilities. Railways during the last years have bought large quantities of coal as in years before, but their consumption during the last 2½ years is down—due to bad trade generally. They have not been carrying so much as before. I have purchased large quantities for railways—over 50 per cent. of the output of Messrs. Bird & Co.—but I have not been able to take it all in average monthly quantities. Railways could not stock it and so I have to leave it at the collieries in some cases.

President.—You think that the stocking is due entirely to that?

Mr. Whitworth.—Yes, where I have large contracts.

President.—Then at what point are they paid? I take it that in ordinary circumstances, the coal will be paid for as soon as it is loaded in wagons.

Mr. Whitworth.—About a month afterwards.

President.—What is the procedure as regards the dumped coal?

Mr. Whitworth.—They are not paid for it. We only pay on actual despatches.

President.—That means they have got to carry it?

Mr. Whitworth.—It might easily be adding eight annas to their cost. They have to pay for stocking and they have to pay for lifting up again.

President.—And also lack of transport facilities would tend to produce that result?

Mr. Whitworth.—It would.

President.—And the consequent increase of expenditure would affect the cost of all coal, even that supplied to the railways themselves?

Mr. Whitworth.—To some extent.

President.—To the extent to which the collieries have to dump coal and subsequently reload, there is double handling and to the extent that occurs there must be a tendency for the price of coal to rise—even the coal which is going to the railways. If the transport facilities could be made adequate to the requirements of the circumstances would that result in a fall in the price of coal?

Mr. Whitworth.—I do not think there will be any tendency for prices to rise on account of shortage of wagon supply.

President.—I am looking at it for the moment the other way round. Supposing the organisation could be changed so that all the coal could be removed as soon as it was raised, do you think the price would remain unaltered?

Mr. Whitworth.—Our present prices would go down.

President.—What was pointed out to us by the Coal Mining Association was that, inasmuch as conditions as regards transport were little if at all better before the war, the rise in price could not be due to want of transport. Do you agree with that view?

Mr. Whitworth.—I do not think the rise of price has been due to any lack of transport.

President.—The alternative is that prices have been constantly a little up owing to this difficulty?

Mr. Whitworth.—I do not think so—until 1921.

President.—Were you acquainted with the coalfields before the war?

Mr. Whitworth.—From 1911.

President.—In your opinion are these difficulties about transport greater than they were then or the same?

Mr. Whitworth.—At the moment things are very bright but three months ago it was pretty bad. It is very hard to say what it will be like in 12 months' time.

President.—Take the conditions of 1922-23. You know the conditions in that year. Do you think that they were worse than those in 1913-14 or better?

Mr. Whitworth.—I do not think there is very much difference.

Mr. Ginwala.—Can you tell us what the requirements of the Railway Board and the Companies were during the last four or five years?

Mr. Whitworth.—I will give you the information in the form of a statement.*

Mr. Ginwala.—You may take a pre-war year and then four or five years after the war. Will you also give us the names of the principal collieries from whom you bought? That may apply to years, say, since 1921.

Mr. Whitworth.—Yes.

Mr. Ginwala.—I understand that the Railway Board have their own collieries.

Mr. Whitworth.—No. They have not. The E. I. and the B. N. R. have their own collieries.

Mr. Ginwala.—Are you looking after those collieries?

Mr. Whitworth.—No. I am looking after the G. I. P., B. B. & C. I. and M. & S. M. collieries and the Railway Board are just about to start their own collieries. They are in the Bokharo-Ramgarh and in the Karanpura areas.

Mr. Ginwala.—Would you mind telling us the output of these collieries that you are looking after?

Mr. Whitworth.—Yes.† Would you like it for the whole of the Railway collieries?

Mr. Ginwala.—You can give it separately for the Railway Board collieries and for the Company collieries. I should also like to know the equipment of these collieries, what you actually spend on the equipment of these collieries, what their total output is and what you would expect to get from them, as also the cost of raising, labour charges, etc.

Mr. Whitworth.—That is, block account more or less. I will give you all the details that I can.‡

Mr. Ginwala.—You have stated just now that the price for the last nine months has been below the market rate. What is the reason for it?

Mr. Whitworth.—It is a question of getting money with some collieries.

Mr. Ginwala.—You mean to say that there is a sort of depression in the trade?

Mr. Whitworth.—Yes. There is a bad depression.

Mr. Ginwala.—You also stated that the railway consumption was down at present and, therefore, you were not able to take over all your purchases.

Mr. Whitworth.—We have to take them eventually but some months we have to cut our wagon programme by 10 to 20 per cent. but we may take it later. As an instance, when there was a wash out on the E. I. Railway lately I could not get any coal away to the N. W. for nearly six weeks.

Mr. Ginwala.—Will you tell me also the quantities you have contracted to purchase from these collieries for 1921—24?

Mr. Whitworth.—I shall give you a tabular statement of my purchases.§

* Statement II (1).
† *Vide* Statement II (5).
‡ *Vide* Statements II and III.
§ Statement II (1) and (4).

Mr. Ginwala.—I understood you to say that the question of transport did not materially affect the market price of coal, but it does affect the raising cost for the sellers?

Mr. Whitworth.—It does to some extent.

Mr. Ginwala.—So that eventually it must affect the market price?

Mr. Whitworth.—No. I should like to put in in this way. The colliery might spend eight annas more on stocking the coal they cannot despatch. Well, it will only result in increasing their raising cost by this amount and there is ample margin.

Mr. Ginwala.—This is how it reacts on the price. They say "we are selling at whatever prices we can get because you are compelling us to do so as there are no transport facilities." I am putting to you their point of view. "You have control over wagons: you have control over transport and you do not give us adequate facilities in either direction and we are compelled to get whatever we can." That means that ultimately the cause assigned for this is the lack of transport.

Mr. Whitworth.—I agree.

Mr. Ginwala.—Are you also in control of the wagons?

Mr. Whitworth.—I am the Controller of Wagons for railway locomotives, or, in other words, I have the first preference of wagons in the coalfields.

Mr. Ginwala.—Therefore there may be a tendency for contraction of the number of wagons in other directions if you made a greater demand at one particular time of the year?

Mr. Whitworth.—I do my best to help trade generally in all ways, but I must have coal for locomotive purposes, first.

Mr. Ginwala.—You make an unusually large demand for your locomotive coal which may mean a contraction of the number of wagons available for other purposes?

Mr. Whitworth.—The Railway Board have restricted me to a certain number of wagons and they have asked me to do all I can to help the trade generally.

Mr. Ginwala.—Mr. Tarlton calculates that an increase of Re. 1-8 was due to wagon trouble. You have told us that it will only increase the cost by eight annas.

Mr. Whitworth.—Not more than 12 annas in any case. I have got many collieries and I have to stock something like 30,000 tons sometimes. I have my own cost for these things.

Mr. Ginwala.—Does your figure include both interest on capital and labour?

Mr. Whitworth.—Actual labour cost.

Mr. Ginwala.—Commercial men will have to add the cost of carrying that quantity?

Mr. Whitworth.—You mean the expense of having their money locked?

Mr. Ginwala.—Yes. In their case of course they are put in a difficult position. There are the freight and other things. In calculating your raising cost do you keep your account on a commercial basis, do you take depreciation, etc., into your cost?

Mr. Whitworth.—The Railway Audit Departments fix the depreciation. I think I am charging at the present moment about five annas a ton for depreciation but I will give you the actual figures.*

Mr. Ginwala.—In your note you may explain how your depreciation is worked.

Mr. Whitworth.—Yes.

Mr. Ginwala.—Would you accept as a general proposition that the mining machinery depreciates in a greater proportion than ordinary machinery?

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* Statement II (6).

Mr. Whitworth.—Yes.

Mr. Ginwala.—Some of them claim 10 per cent. as the ordinary depreciation which it would be safe to write off.

Mr. Whitworth.—On underground machinery 10 per cent. would be the figure because some of the machines are very roughly handled.

Mr. Ginwala.—So in the case of underground machinery you consider 10 per cent. reasonable. Of course, some allowance has to be made for the plant getting obsolete: that would cover it.

Mr. Whitworth.—Yes.

President.—On the other hand, I take it that a colliery has a power house above ground and there is no reason why depreciation should be anything more than in the case of an ordinary power house.

Mr. Whitworth.—None whatever.

Mr. Ginwala.—Would the greater portion of the machinery be considered as underground, or above ground?

Mr. Whitworth.—The greater portion is on the surface at present.

President.—Would that apply equally to the more modern collieries where they spend more money on coal cutting machinery and so on?

Mr. Whitworth.—That is very small. On the surface you use winding engines and boilers, and generators, etc.

Mr. Ginwala.—Do you have to work the same depth as these people?

Mr. Whitworth.—We are actually going down 1,700 ft. which is the deepest colliery in India.

Mr. Ginwala.—That is not the normal depth.

Mr. Whitworth.—Throughout the coalfields for shafting work on an average the depth may be taken at 500 ft., if not under that.

Mr. Ginwala.—With regard to rise in wages do you consider that the rise may be taken as permanent?

Mr. Whitworth.—I do.

Mr. Ginwala.—What is your opinion on the general question of rise in wages? It has been stated to us that it is rather a good thing.

Mr. Whitworth.—I think they were too low and I think a rise was wanted.

Mr. Ginwala.—On the whole, would it be to the advantage of the industry if wages remain more or less on the present level?

Mr. Whitworth.—They are slightly higher than I like at the moment but they were too low before the war.

Mr. Ginwala.—Supposing they work for six days a week at the wages you pay, would it not be better for the industry?

Mr. Whitworth.—It would be better but there is one point about wages I want to tell the Board. I am very very concerned over the threatened legislation as regards non-employment of women underground, and if it comes into force I am positive that it will reduce our output by 50 per cent.

Mr. Mather.—For how long?

Mr. Whitworth.—Until we can get mechanical plant underground. We shall have to put coal cutters and conveyers practically everywhere. Coal cutters would be cheaper to the owners of the collieries than paying for hand labour, but at present they can only be utilised in large collieries. It will take years to put coal cutters and conveyers in even the large collieries; so that for ten years after this Act is brought into force our output will be reduced from 20—30 per cent. starting from 50 per cent.

Mr. Ginwala.—Do you mean that the women would not remain on the surface?

Mr. Whitworth.—We should lose a lot of men: they simply will not go underground and leave their women-folk on the surface.

Mr. Ginwala.—Do you find the women labourers as efficient as men?

Mr. Whitworth.—Yes, for certain purposes.

Mr. Ginwala.—Are their wages smaller?

Mr. Whitworth.—They all work together. You pay so much per tub and man, wife and children join in the earnings.

Mr. Ginwala.—Is it the invariable practice to pay them by piece in the mines?

Mr. Whitworth.—Yes, practically for all underground work.

Mr. Ginwala.—It is not easy to express an opinion on the point whether women should be employed any longer on the collieries.

Mr. Whitworth.—I think the result of this legislation would be serious unless the change was brought about very gradually.

Mr. Ginwala.—If the Railways are not able to consume these quantities that they buy, what would happen to the coal? Will it be thrown back on the market? You cannot go on stocking.

Mr. Whitworth.—That has never happened. I have always seen to it that collieries are kept going by transferring coal from one Railway to another.

Mr. Ginwala.—I understand there is a good deal of economy in fuel this year. I think the figure that you have given represents a very large quantity of coal. That means that you will have considerable stocks of coal doing nothing. Would you then keep that in stock or sell it in the open market?

Mr. Whitworth.—We never sell it.

Mr. Ginwala.—Would it not deteriorate in that case?

Mr. Whitworth.—It does deteriorate a little but it is not a serious matter.

Mr. Ginwala.—All I want to know is whether there is any chance of this coal being thrown on the market?

Mr. Whitworth.—Absolutely none.

Mr. Ginwala.—Is there any difficulty about obtaining the quantity of labour in the mines?

Mr. Whitworth.—Yes, there is.

Mr. Ginwala.—What is the main difficulty? Is it intermittent?

Mr. Whitworth.—Yes. The main difficulty is agricultural of course.

Mr. Ginwala.—The main difficulty is therefore during the monsoon, I take it?

Mr. Whitworth.—Yes. It is a question of crops. Good crops mean short labour.

Mr. Ginwala.—Do you regard that as a permanent disability?

Mr. Whitworth.—Yes, I do until such time as we can do away to a large extent with underground labour by substituting mechanical appliances. That will take many years.

Mr. Ginwala.—If you were equipped with mechanical appliances how much labour would be reduced?

Mr. Whitworth.—It would be reduced by anything up to 50 per cent., if you went in fully for mechanical appliances.

Mr. Ginwala.—With regard to coking coal the difference between coking coal and first class coal is only about 12 annas a ton?

Mr. Whitworth.—Selected Jheria and first class Jheria—12 annas difference.

Mr. Ginwala.—Do you take any second class coal?

Mr. Whitworth.—Not for coking purposes. I buy second class coal in large quantities for the E. B. and O. and R. Railways. It contains a high per cent. of ash—18 per cent. and over.

Mr. Ginwala.—In what proportion would the consumption be?

Mr. Whitworth.—It would be very nearly twice as much in cost. It all depends on how it is used, and how far it is carried.

Mr. Ginwala.—With regard to coking coal what is the percentage of ash that you expect?

Mr. Whitworth.—The average is about 14 per cent. in coking coal in Jheria.

Mr. Ginwala.—How much coke would one ton of coal produce?

Mr. Whitworth.—It depends on how you coke. 2½ tons of coal will produce 1 ton of coke in open ovens.

Mr. Ginwala.—Do you have any coke ovens?

Mr. Whitworth.—No.

Mr. Ginwala.—If it is a reasonably well equipped plant, will there be any difference in production?

Mr. Whitworth.—It is not a question of well-equipped plant but it is a question of whether it is a modern plant.

Mr. Ginwala.—Take a modern plant for instance.

Mr. Whitworth.—It will be in the proportion of 1¼ to 1½ to one.

Mr. Ginwala.—That will give you certain by-products?

Mr. Whitworth.—Yes.

Mr. Ginwala.—Do you call the coal "selected Jheria"?

Mr. Whitworth.—"Selected Jheria" and first class Jheria are two kinds of coal in the coalfields and 1¼ to 1½ tons will give you 1 ton of coke in modern plants.

Mr. Ginwala.—Do the railways at all make their own coke?

Mr. Whitworth.—The E. I. Railway at their collieries at Giridih make their own coke by modern methods. I am not in charge of that. The E. I. and B. N. Railways combined in one of their collieries at Bokharo coalfield make a small amount of coke in open ovens. They have a Colliery Superintendent who is stationed at the collieries.

Mr. Ginwala.—We should like to know what their coke costs.

Mr. Whitworth.—The Agent will have all these details.

Mr Kale.—Do you think it possible to reduce freight on coal?

Mr. Whitworth.—I am afraid it is a question for the Railway Board.

Mr. Kale.—My impression is that the freight is very low just at the moment and that it is not a practical proposition to reduce it any further.

Mr. Whitworth.—The Agents of the Railways say that they cannot reduce it any further.

Mr. Kale.—As you know, new coal areas are being opened and new railway lines are being constructed; will not that affect favourably the price of coal?

Mr. Whitworth.—In the Bokharo-Ramgarh area they are now despatching over a million tons which is roughly 1/12th of the available output of Bihar, and I am still purchasing the same quantity of coal for railways in the open market as in previous years.

Mr. Kale.—That will not have an appreciable effect?

Mr. Whitworth.—It has not had in the past.

Mr. Kale.—You do not hope that in the near future this expansion will have a favourable effect?

Mr. Whitworth.—I don't think it will have any effect for a long time anyway, but it is hard to say what the future has in store for us.

Mr. Kale.—Has not the total number of wagons available for coal transport increased in recent years?

Mr. Whitworth.—I do not know the number of wagons that are available for coal transport, but it is not so much a question of wagon shortage, in my opinion, as railway facilities.

Mr. Kale.—The system of what is called pooling of wagons has been attempted for several years; has it borne any fruit?

Mr. Whitworth.—Personally, I don't think so.

Mr. Kale.—What would you suggest as a remedy to give railway facilities?

Mr. Whitworth.—I am not in favour of any control at all in the matter of wagons.

Mr. Kale.—Do you think that the control of coal transport has not had the effect it was expected to have?

Mr. Whitworth.—Personally, I do not think it has done any good at all.

Mr. Kale.—You think that it would be much better if things are left to take care of themselves?

Mr. Whitworth.—I should prefer to see control done away with altogether.

President.—Would you extend that to this—that you yourselves should have no priority in the supply of coal wagons?

Mr. Whitworth.—That is a question for the Railway Board. If the railways do not get coal for their own use, nobody else will get anything. The railways must naturally have preferential supplies and I think everybody is agreed upon that.

Mr. Mather.—What is the quality of the coal raised from these railway collieries?

Mr. Whitworth.—Taking them one by one—Giridih is the best coal in India, Bokharo you can describe either as first class second class or a second class first class, it is just on the verge. It is a coal with an extremely high calorific value and carrying a moderately high percentage of ash. The G. I. P. Railway will take as much as they can of that quality. The new collieries that I am opening out for the B. B. and C. I. Railway in the Bokharo-Ramgarh coalfield are slightly better than those we are working in the same area—about 2 per cent. ash less. In the Karanpura area we have no railway workings, but I have coal running from 11 per cent. of ash to 17 per cent. That is absolutely first class coal and good second class coal and in enormous quantities. We have two other small seams in the Bokharo area which I found recently; they are equal to "selected Jheria."

Mr. Mather.—On the whole, the quality of the coal raised from the Railway collieries is quite good?

Mr. Whitworth.—Yes.

Mr. Mather.—I think you promised Mr. Ginwala a statement* of the raising cost. Can you just tell us generally whether the cost of the coal raised from the railway collieries would leave a reasonable profit if they were sold at present market prices? I suppose you have no official information of the raising cost of other collieries working the same seams in more or less similar parts?

Mr. Whitworth.—No, there is only one other colliery working in the Bokharo coalfield.

Mr. Mather.—You can fairly compare with their conditions. So far as your own collieries go it is paying the railways to raise their own coal?

Mr. Whitworth.—Most decidedly.

Mr. Mather.—I see in this letter you give us the price for Deshargarh coal and coking coal. For what purpose exactly do the railways take coking coal?

Mr. Whitworth.—"Selected Jheria" and first class Jheria are used for mail and fast passengers.

Mr. Mather.—I suppose we can take it that only a very small part of the coking coal which goes to the Railways is actually coked at their collieries?

Mr. Whitworth.—Nothing at all, except at the E. I. Railway collieries.

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* Statement II (6).

Mr. Mather.—Do the Railways take a large quantity of this coking coal?

Mr. Whitworth.—A fairly large quantity: of course, it is the best coal in Jheria.

Mr. Mather.—This coking coal is not essentially different for steam-raising purposes from the Deshargarh coal?

Mr. Whitworth.—Slightly harder.

Mr. Mather.—Do you think it is better locomotive coal than Deshargarh?

Mr. Whitworth.—It is more economical coal than Deshargarh, but we have to use Deshargarh coal in some cases like the Ghat section of the G. I. P. Railway irrespective of cost in order to get steam quickly.

Mr. Mather.—As far as locomotive efficiency is concerned, Deshargarh is at least as good if not better than coking coal?

Mr. Whitworth.—It is very expensive coal too. It is very highly volatile and we only use it where it is absolutely essential. If possible we mix Deshargarh with ordinary Jheria.

Mr. Mather.—Leaving aside the question of the price at the moment, Railway mail and fast passenger traffic can be handled as efficiently with Deshargarh as with coking coal, or even better?

Mr. Whitworth.—Yes.

Mr. Mather.—That brings me on to the point that the question has at times been raised as to whether coking coal should not be reserved for the iron and steel industry for which it is absolutely essential, because there is a limited supply, and if you use that for Railway purposes you diminish the reserve for the steel industry. Do you think there would be a sufficient reserve of Deshargarh coal for railway and steam purposes?

Mr. Whitworth.—Yes, but we cannot use Deshargarh coal economically as far as prices are concerned and apart from that we cannot get the necessary quantity of good coal if we reserve the coking coal for steel purposes.

Mr. Mather.—So that, looking to the future of the steel industry, you still think it is essential for the Railways that they should use coking coal?

Mr. Whitworth.—Yes, at any rate until such time as our Railway Collieries are fully developed.

Mr. Mather.—Railway contracts carry more or less guaranteed wagon supply?

Mr. Whitworth.—They have no guaranteed wagon supply but a preferential supply.

Mr. Mather.—So that it is not probable that the coal to be supplied to the iron and steel works would often be held up on account of wagon shortage due to Railway demand for wagons?

Mr. Whitworth.—They would be much better off than other industries.

Mr. Mather.—You think that so far as their coal consumption is concerned, the iron and steel industries would not suffer very seriously as regards transport?

Mr. Whitworth.—No, they will only have intermittent trouble.

Mr. Mather.—You have told us that underground labour is paid on tonnage only. We have heard several times that one of the difficulties in the coalfields at present is that the underground workers will not work for more than four to five days a week, and it has occasionally been suggested that if these men are paid on tonnage only, the fact that they are working for a small number of days should not have much effect on prices, but I take it that it does actually increase your raising cost. I mean, for example, that if a man works three days a week you may not find it easy to get a man to take his place for the other three days?

Mr. Whitworth.—No.

Mr. Mather.—Can you give us any idea of the effect on your raising cost owing to short-time working underground?

Mr. Whitworth.—I am afraid, I cannot: one would have to reckon it on your increased output and all sorts of financial figures. I can let you have a rough figure of one of my railway collieries.

Mr. Mather.—It may, perhaps, be useful to the Board, as the contention is sometimes put that if these men are not paid by piece rates, it should not affect your cost.

Mr. Whitworth.—I could give you actual figures of the difference in working 4 days a week and 6 days a week at one colliery.

Mr. Mather.—You said just now that a ton of coke made in open ovens would require two and a half tons of coal. Would not that give a wrong impression? It is not typical of present-day practice in coke-making in India. Indian coking coal will give nearly 75 per cent. of coke.

Mr. Whitworth.—You may get it in some plants, I would not say that generally.

Mr. Mather.—You would get that in a more modern plant—Giridih, for instance?

Mr. Whitworth.—I do not know their actual figures but I will get you a statement* of their actual figure. I can also get it for from all the coking plants in the country working with modern plant.

Mr. Ginwala.—This question of the quantity of coking coal available is a very important one for the purposes of this enquiry, and I should like to know if you can give us some idea of the coking coal available in the collieries under your control.

Mr. Whitworth.—Of the Railway collieries Giridih, for instance, alone produces ¾ million tons a year which is all coking coal.

Mr. Ginwala.—How long is it likely to last?

Mr. Whitworth.—Giridih hasn't a long life.

Mr. Ginwala.—What is required is the total quantity available, on the assumption that you know how much each mine is likely to yield.

Mr. Whitworth.—We have no coking coal in our collieries in the Karanpura area, but I will get you some figures.†

Mr. Ginwala.—I understood you to say that it is essential for railway purposes that coking coal should be used?

Mr. Whitworth.—It is essential because we cannot get it replaced by anything else of equal quality.

Mr. Ginwala.—Not in the market?

Mr. Whitworth.—No. We can buy a tremendous quantity of second class coal to take its place, but if I send second class coal to, say, the N. W. Railway and the B. B. and C. I. Railway, I am wasting transport because it contains about 25 per cent. of ash.

Mr. Ginwala.—I should like to have a comparative statement as to the increased cost on the assumption that as much as possible you use coal other than coking coal.

Mr. Whitworth.—I will send it in; I can get it from the Locomotive Superintendents.

Mr. Ginwala.—It is not impossible that there may be a move to save all the coking coal in the country for the iron and steel industry.

Mr. Whitworth.—There is plenty of coal available but not of good quality.

Mr. Ginwala.—You can say how far you can substitute and at what cost.

Mr. Whitworth.—I will do that.

President.—You have told us that this last contract for the Railway coal which was made in 1921-22 was for three years and that previous to that contracts had all been for one year only. Do you think as the result of

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* Statement II (3).
† Statement II (2).

your experience, the fixing up of contracts three years ahead has been satisfactory?

Mr. Whitworth.—From the Railway standpoint, I don't.

President.—Is that due to the fact that you think that the price to the railways would have been less to-day than they were under the contract?

Mr. Whitworth.—As things turned out if we had annual contracts we would have got coal cheaper.

President.—I take it it is always difficult—more especially at a period following the war it was still more difficult—to forecast the course of prices.

Mr. Whitworth.—Quite.

President.—We have plenty of examples of all trades where the forecasts of three years have all been complete mistakes. But are you prepared at all to put a figure on it to what extent the prices would have been lower but for these particular contracts?

Mr. Whitworth.—It is very difficult to give a figure, but during the last six or nine months I could have purchased coal of a similar quality with the exception of Deshargarh at Rs. 2 a ton less in fairly large quantities.

President.—Can you just explain to us how the Railway Board's price tends to affect the price of coal? Is it because they are by far the largest purchasers?

Mr. Whitworth.—They buy roughly half the output available for sale.

Mr. Ginwala.—What is the figure?

Mr. Whitworth.—I consider that the available steam coal output is about 12 million tons after deducting colliery consumption, coal for coke making and things like that.

Mr. Mather.—You mean 12 million tons of coal *plus* a surplus amount of coke which is available for sale?

Mr. Whitworth.—Yes.

President.—We have been told not only by the Tata Company but by one or two other people that it is becoming the practice to make contracts by which the price of coal purchased by private consumers depends on the Railway Board price. What is your view on that? Do you think that is a prudent practice on the part of commercial firms?

Mr. Whitworth.—I don't think it is good practice.

President.—You think on the whole they would be better off if they did not make contracts on those lines?

Mr. Whitworth.—I do.

President.—I take it the usual motive is a sort of insurance. Assuming that the Railways are likely to purchase coal as cheaply as it can be purchased, if they keep their price in intimate relation with the Railway price, they are, to a certain extent, protected against the fluctuations of the market?

Mr. Whitworth.—I still think that the steel companies could have got their coal on better terms.

President.—I was not really so much thinking of what has happened during the last three years, but looking ahead do you think the plan a good one?

Mr. Whitworth.—I think they could have stuck to the Railway Board rates.

President.—Supposing this new Company, The United Steel Corporation of Asia, were about to start and make contracts beforehand, do you think it would be possible to make a contract on these lines?

Mr. Whitworth.—If they make 12 months' contracts on actual Railway Board rates I think it will be much better.

Mr. Ginwala.—The Railway Board has been purchasing coal for many years under this arrangement; how far back do you think?

Mr. Whitworth.—I think the arrangement started about 1909 or 1910, when purchases were made only for the State Railways.

Mr. Ginwala.—When did the other railways come up?

Mr. Whitworth.—Other Railways came up in 1913-14, I mean, all the Railways with the exception of the East Indian Railway and the Bengal Nagpur Railway.

Mr. Ginwala.—May I take it generally that, so far as the years 1921-22 and the previous years were concerned, the prices paid were more or less the market price?

Mr. Whitworth.—Yes.

Mr. Ginwala.—And there was no reason to suppose that by accepting the Railway Board's rates the private firms were not going on sound lines?

Mr. Whitworth.—It was mainly a requisition period.

Mr. Ginwala.—During the last three years prices have gone up roughly about 50 per cent.?

Mr. Whitworth.—Yes.

Mr. Ginwala.—There is an increase of 12 annas a ton each year?

Mr. Whitworth.—Yes, on the three year contracts.

Mr. Ginwala.—So that it is nearly 75 per cent. Is there much justification for this big jump?

Mr. Whitworth.—It is a jump hard to understand.

Mr. Ginwala.—Is it right to say that the rates you pay to the collieries generally govern the market rate?

Mr. Whitworth.—Yes. The market rate can usually be taken as Re. 1 or Re. 1-8 more than the Railway Board rate.

Mr. Ginwala.—Supposing these rates are higher than the market rates, does it not mean that they are simply maintaining the market price artificially?

Mr. Whitworth.—At present the prices are decidedly higher than the market rates.

Mr. Ginwala.—You would rather be in favour of one year contracts?

Mr. Whitworth.—I don't believe in three years' contracts in this country, more particularly three years' contract on a sliding scale. It is looking too far ahead.

Mr. Ginwala.—It is suggested that if you do not have long term contracts, you do not get the benefit of the decrease in the cost of production that may arise.

Mr. Whitworth.—Personally, I should prefer to take the risk.

Mr. Ginwala.—You think there is nothing in the argument that if they had arrangement for three years' contracts they might be able to reduce the cost of production.

Mr. Ginwala.—No, I don't think so, more particularly three years' contract on a sliding scale.

Mr. Ginwala.—Have you compared these prices with your cost of raising?

Mr. Whitworth.—I know of my own colliery cost.

Mr. Ginwala.—How do they compare?

Mr. Whitworth.—In the E. I. Railway collieries at Giridih it is Rs. 5 a ton including royalties, depreciation and everything, and in the Bokharo coalfields at one colliery including royalty, depreciation, road cess and everything else it is just under Rs. 3 a ton and in the other collieries well over Rs. 3 a ton delivered into wagons. But at these collieries we are working exceptionally large quarries. We have very little deep working; practically all surface working and we are capable of despatching about 2,000 tons a day. That is the reason for the low cost.

Mr. Ginwala.—These prices are f.o.r.?

Mr. Whitworth.—Yes, f.o.r. colliery.

Mr. Ginwala.—So that compared to that, these costs are very much higher?

Mr. Whitworth.—Yes. Giridih can be taken as a typical instance, and it is a modern colliery; there are deep workings and many other difficulties—as in the average colliery in the Bengal Field.

Mr. Mather.—Are conditions there similar to those of the Tata Collieries?

Mr. Whitworth.—The same in Giridih, but as far as minor difficulties are concerned I should say there is nothing in it; Tata's with their larger output might be slightly less.

Mr. Mather.—Are you in a position to tell us how much coke is made in the coalfields?

Mr. Whitworth.—I have got the figures and I will send it to you.*

Mr. Mather.—If you could give us the total amount of coke produced apart from the iron works, it would be useful.

Mr. Whitworth.—I could give you the amount of coke and the coal used for coking purposes.†

Mr. Ginwala.—According to the Mining Association it is 17 millions; you say it is 12 millions?

Mr. Whitworth.—17 millions is the total amount of coal raised, *i.e.*, slack coal, rubble coal and steam coal. A large amount of slack is taken away for making coke; a certain amount of steam coal is taken away for colliery consumption and a certain amount of coal is rubble coal, so that only about 12 million tons of steam coal is available for sale.

* Statement II (2).
† Statement II (3).

No. 81.

Railway Board.

Written.

STATEMENT I.

The Tariff Board asked for details of the amount Rs. 325 taken as the Indian charges for erection, etc., of an A-1 type wagon in making the comparison between Indian tenders and those for imported wagons at the end of 1922.

The actuals for the railway which had erected a similar wagon and on which the Rs. 325 was based are:—

	Rs.	A.	P.
1. Contract rate for erecting one wagon . .	165	0	0
2. Labour covering unloading and handling of material, making of leather washers, mixing paint, packing axle boxes, repairing tools, fitting vacuum brake gear, and supervision and inspection of contract work . .	77	2	7
3. Stores such as tools, coal and paint . .	10	8	3
4. General charges (representing miscellaneous expenditure in workshops allocated at end of each month as a percentage on all works done)	16	9	11
TOTAL .	269	4	9

5. To this was added to cover freight and overhead charges Rs. 55-11-3 making the total of Rs. 325.

Freight of materials from port to place of erection has been included in the item Rs. 31·4 wharfage, port and landing charges. All charges for handling materials erection, painting, lettering, taring and packing axle boxes are included in the items given above. Overhead and stores charges to cover depreciation, interest, rates and taxes, supervision, power, repairs and renewals in all workshops are amply covered in items 1 and 5 above.

STATEMENT II.

In reply to question 14 the Tariff Board were told that the present cost of a set of wheels and axles per wagon is approximately £84. In discussion the Tariff Board pointed out the high percentage increase compared with the pre-war cost (£44) and said that figures obtained from the Great Indian Peninsula Railway represented the increase in cost to be about only 50 per cent. based on a unit of weight. They asked for further information on this point.

The price of £84 per wagon for wheels and axles was the rate prevalent in the middle of 1922. Two more recent individual contracts for the State railways have now been traced and the dates and prices are as follows:—

(1) Eastern Bengal Railway contract dated September 1922 for 10″ × 5″ axles and disc wheels at £75 per set.

(2) North Western Railway contract dated December 1923 for 10″ × 5″ axles and wheels at £69/12 to £74 per set.

(Delivery Trieste or Hamburg.)

The former of these prices (£75) is the nearest we have to the date of the wagon tenders of October 1922.

STATEMENT III.

The Tariff Board asked for information as to (1) the time taken from the placing of an order for wagons with British firms to the time of delivery f.o.b.; (2) the time taken from delivery f.o.b. to placing on the line in running order.

As regards (1) the delivery quoted in the accepted tender of October 1922 was to commence in 8 to 10 weeks and to complete in 30 weeks after receipt of order. It may be noted that the conditions of tender are for delivery within the financial year.

The average time taken is estimated as follows:—

Delivery f.o.b. to arrival in Indian Port	5 weeks.
Arrival Indian port to placing on line . . .	5 weeks.

We have no record of actuals, there will probably be considerable variations from the average during the past few years as a normal average figure presumes regular shipments and normal conditions in the railway erecting shops.

Oral evidence of Mr. C. D. M. HINDLEY, Chief Commissioner of Railways and Messrs. M. W. BRAYSHAY and A. J. CHASE, O.B.E., recorded at Delhi, on the 26th January 1924.

President.—I think that it would be convenient to begin with the written questions which we sent to you and get down your answers on the various questions of facts. Once we get those facts clearly in our minds, the rest becomes easier. The first question was about the statement made by the Standard Wagon Company that the successful British tender for the A-1 broad-gauge wagon in the autumn of 1922 meant a price of £174 f.o.b. England and about Rs. 3,500 for the complete wagon erected in India after payment of freight etc., and the cost of assembling but excluding wheels and axles. Can we take these figures as correct?

Mr. Hindley.—What was mentioned was £171.

President.—The Standard Wagon Company gave both the figures £174 and £171.

Mr. Hindley.—I think that £171 is correct.

Mr. Hindley.—To £171 you have to add the following:—

	£	s.	d.
Freight at £2-10-0 per ton on the wagon body	17	15	6
Interest and insurance at 15*s.* 6*d.* per £100	1	6	6
Freight brokerage	0	1	9
	19	3	9

	Rs.	A.	P.
At the average rate of exchange (1*s.* 4*d.* per rupee) it comes to cost c.i.f.	2,852	13	0
Customs duty at 10 per cent. on c.i.f.	285	4	6
Landing, wharfage and port charges	31	4	0
Erection	325	0	0
TOTAL	3,494	5	6

President.—Perhaps here it would be convenient to take the question as to the cost of assembling, *viz.*, Question 12. We understood that the allowance made for the cost of assembling in this country was Rs. 450. Apparently that was not correct?

Mr. Hindley.—No.

President.—Could you tell us how the figure of Rs. 325 was arrived at?

Mr. Hindley.—That was the actual cost incurred by the railways which erected similar wagons previously. We asked all railways who had done this work and we got various figures quoted. That was the highest, as a matter of fact, quoted by the railways which had erected wagons which came out in similar conditions to those on which this contract was made. Of course the cost of erection varies very much with the amount of work which has to be done in this country after arrival. Under some contracts, considerably more assembling has been done before the wagon comes out; in some cases the under-frames are rivetted up.

President.—Is this Rs. 325 on the basis that under-frames come out unrivetted?

Mr. Brayshay.—Exactly the same conditions as we have in this particular tender.

Mr. Hindley.—If more assembling is done before it comes out to this country, of course the actual cost of erection is less. In some cases where the wagons come out more completely assembled, erection is done at about Rs. 150 or even less.

President.—Can you divide Rs. 325 up into different elements at all?

Mr. Hindley.—I am afraid I have not got the details.

President.—What the wagon manufacturers stated to us was this: that they were not aware how this figure had been arrived at and that they were not in a position to say, until they had that information, whether it was a fair allowance or not. So it is of some little importance to us to know how this figure is arrived at. Did the various railway administrations whom you consulted give any details at all in support of their figures?

Mr. Hindley.—No. The figures were taken from their accounts. We have not gone into the details. I think that you can take the accounts as correct.

President.—We have heard complaints from the private manufacturers that the Indian manufacturer and the British manufacturer are not tendering on exactly the same terms. The former has got to do certain work which the latter has not got to do, and on estimating what that work costs him, he has to make allowance for his overhead charges and so on. In the case of the assembling he always feels doubtful whether any allowance is made for that in comparing prices.

Mr. Hindley.—Is it his complaint that Rs. 450 is too low or too high?

President.—As far as I can gather no particular dissatisfaction was expressed with Rs. 450 which they thought was the cost of assembling, but Mr. Cochran of the Standard Wagon Co. adhered to the view that he did not know how it had been arrived at, and that until he knew how it had been arrived at, it was impossible for him to say whether it was a fair allowance or not?

Mr. Hindley.—What kind of certificate would the Board like me to give in regard to that figure?

President.—One would like to see the various elements into which it was divided—so much for labour, so much for general works expenses and so on, and finally whether any allowance was made corresponding to overhead charges.

Mr. Hindley.—If we had understated the case, you mean to say that the addition of overhead charges would increase our figure. Would that be to the advantage of the Indian manufacturer?

President.—At present he is not satisfied that he is competing on level terms with the British manufacturer.

Mr. Hindley.—It will only be a matter of giving you details as to how this Rs. 325 is arrived at?

President.—I think that, if the present system of dealing with these tenders is to be adhered to, it is of some importance that the Indian manufacturer should know how he stands in regard to that. As long as there is a doubt, there is always room for controversy as to whether this is a fair allowance for charges which he has to incur and which the foreign manufacturer has not to incur. That is what it comes to.

Mr. Hindley.—I think that his object of putting forward that figure of Rs. 450 was to indicate that we did not assume a high enough figure.

President.—He simply told us that that was the figure.

Mr. Hindley.—He has not got the right figure. Rs. 325 is the figure that is taken in actual comparison. That is the figure we had taken from our

accounts. We can, if you like, get an analysis of the figure, but I don't think that it will be of any use to the Board.

President.—Apart from the use that it will be to us, I think that it is very desirable that, wherever possible, unnecessary subjects of controversy should not be left open. As long as the Indian manufacturer can say that he does not know how this figure is arrived at—apparently he did not even know what the figure was—it is always open to him to say that he is not fairly treated. I think that it is a very undesirable state of affairs. It is a question which is capable of being cleared up one way or other.

Mr. Hindley.—We will see what analysis we can give you.*

President.—I think that it is desirable that we should have it. We may turn back to the second question which is: how does the price based on the 1922 tender compare with the prices paid for imported wagons in the previous years?

Mr. Hindley.—We collected some figures in 1922 from railways about the prices paid for wagons in pre-war years and the average of the prices given for each year for 21 ft. CG wagons without wagons and axles.

President.—Is that comparable to the A-1 type?

Mr. Hindley.—Yes, a similar type.

	£
1911	128
1912	155
1913	186
1914	152

The average of these four years is £155. I am sorry that I have given you in advance the answer to question No. 3. The answer to question No. 2 is as follows:—

	Rs.
April 1920	6,060
August 1920	7,430
December 1920	9,130
December 1921	4,300
October 1922	3,500
July 1923	4,000

Mr. Mather.—Are these the dates of placing the contract or the dates of delivery?

Mr. Brayshay.—The dates of quotations.

Mr. Ginwala.—This Rs. 3,500 is the tender which you accepted?

Mr. Brayshay.—Yes, October 1922 tender.

President.—As between the various dates, would there be much difference in the additions made to the f.o.b. price?

Mr. Hindley.—The rate of exchange will of course vary considerably and probably freight too.

Mr. Brayshay.—Freight will not vary very much.

Mr. Ginwala.—Are these c.i.f. prices or what?

Mr. Brayshay.—Exactly the same as Rs. 3,500. The sterling price is converted into rupee price on the same comparison.

Mr. Mather.—Is this the price for a complete wagon erected?

Mr. Brayshay.—Yes, but excluding the cost of wheels and axles.

President.—You have not got the f.o.b. figures here, have you?

Mr. Hindley.—No.

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*See Statement I.

President.—Question 4 is: how did the other tenders received from British manufacturers compare with the successful tender as regards the price per wagon, taking the A-1 wagon as typical?

Mr. Hindley.—That is presumably the 1922 tender?

President.—Yes.

Mr. Hindley.—They vary from Rs. 3,500 to Rs. 4,900.

President.—Could you give us the actual figures for the 2nd and 3rd lowest tenders?

Mr. Hindley.—£178 and £179.

President.—There were two or three tenders of nearly the same figure?

Mr Hindley.—Yes.

Mr. Ginwala.—Would you have any objection to giving us the names of the companies who have tendered?

Mr. Hindley.—I think that I would like to reserve that. It is rather inadvisable to give you the names of those people at the present stage anyhow. If you like I will take advice on that point and let you know later.

Mr. Ginwala.—Ordinarily all tenders must, I think, be published.

Mr. Hindley.—We had not adopted that policy at that time.

Mr. Ginwala.—The point that these people are trying to make is this: that there were certain firms who tendered and whose financial position and other things were then known, and that they were losing money and so on. Unless the Indian manufacturers had the names, they would not be able to verify whether at the particular rates at which they tendered they were losing or not. From that point of view it is rather important that the Indian manufacturers should know who their competitors are. They can then come to us and say "how could we compete against such firms which are selling below cost of production."

President.—Will you think it over? We should like to have them if you can see your way to give them.

Mr. Hindley.—I will ascertain whether these names could be given.

President.—Question 5 is: how did the tenders from the Standard Wagon Company, Burn & Co. and Jessop & Co., compare with the successful tender? I take it that these are the only firms that make wagons in India.

Mr. Hindley.—I think that that is correct.

President.—At least the Railway Board do not know of any others?

Mr. Hindley.—A firm has recently come in with tenders—Messrs. Herman and Mohatta. We have got very little information about them.

Mr. Chase.—They have been doing some business for at least 20 years.

President.—They have not approached us.

Mr. Hindley.—The tenders received from these three Indian firms in 1922 were approximately Rs. 5,200.

Mr. Mather.—May I ask whether there were any Continental tenders in 1922?

Mr. Hindley.—We also had tenders from Belgium, Germany, France and from America.

Mr. Mather.—Are all the Continental and American tenders included in this range between Rs. 3,500 and Rs. 4,900?

Mr. Hindley.—No, they are not. Your question referred only to British firms.

President.—I don't think that there was any particular point in the use of the word "British" in that question. All that the Board meant was really "non-Indian."

Mr. Hindley.—Would you like to have the figures which we received from other countries?

President.—It would probably be useful to have them.

Mr. Hindley.—

	Rs.
*England.**	
Lowest tender	3,500
Highest tender	4,900
*America.**	
Lowest tender	5,808
Highest tender	7,122
*Belgium.**	
Lowest tender	4,101
Highest tender	5,860
*Germany.**	
Lowest tender	5,838
Highest tender	10,211
*France.**	
Only one tender	5,873

President.—Except the lowest Belgium tender, the Indian tenders were below the tenders from other countries?

Mr. Hindley.—Yes.

President.—The first part of question 6 is meant to ascertain the facts as to how things are administered at present. The question is: Do the Railway Board, in deciding how orders are to be placed, take into account the fact that the foreign tender may be abnormally low—down to, and even below, the cost of production? Do they in fact make allowance in considering the claims of Indian wagon builders for the fact that the Indian tenders may not be much above the price which would give the foreign manufacturer a normal profit?

Mr. Hindley.—We are guided entirely by the Stores Rules which prescribe the method of comparison.

President.—That is to say, as things stand at present, no allowance is made?

Mr Hindley.—No.

President.—The next question of actual fact is question 11, the last sentence of which runs as follows:—Is the customs duty taken into account when comparing tenders by (*a*) State Railways and (*b*) Company Railways?

Mr. Hindley.—Customs duty is taken into account by the State Railways and we have no definite information as to the practice on the Company-managed Railways. It is only recently that their stores have been exempted from customs duty.

President.—Until recently they actually paid the customs duty.

Mr. Hindley.—Yes.

President.—So it was actually taken into account?

Mr. Hindley.—Yes. The question of customs duty is not yet finally settled. The case is still before the Privy Council, but they are of course under an obligation to buy in the cheapest market, and their obligations are to work in the interests of economy and efficiency. That is all that we can say.

President.—It is only since the decision of the Bombay High Court that they have not had to pay the Customs duty. There has been no opportunity so to speak for any sort of recognised procedure to grow up?

Mr. Hindley.—I don't think so.

President.—I take it that if the decision of the Privy Council were to reverse the decision of the High Court, the effect would be that they would have to pay the duty with retrospective effect?

*1922 tenders.

Mr. Hindley.—I am not in a position to say that. It is a legal question. I have not really studied that, but I should imagine that that would be the effect.

President.—Question 14 is "How do the most recent prices for wagon wheels and axles compare with pre-war prices?"

Mr. Hindley.—The price for a set of wheels and axles for the years 1910-14 varied from £32 to £56, the average being £44. The present cost of a set of wheels and axles is approximately £84.

President.—The point of this question is this: The Standard Wagon Co. and Messrs. Burn & Co. complained that, while everything they did not make was double the pre-war price, the things they did make were down to the pre-war level.

Mr. Mather.—The G. I. P. have given us figures of the prices of wheels and axles that they purchased in the years 1911-12, 1912-13 and 1913-14 and also for the last two or three years. Their prices do not show anything like such a rise in price as that. They have given the cost per ton of wheels and axles in 1911-12 as £19-4-10, in 1913-14 £21-10-2, and in 1922-23 £30-2-5. It is about a 50 per cent. rise as against 100 per cent. that your figures show on a tonnage basis. It is possible that you are comparing heavier wheels and axles.

Mr. Hindley.—We have given the actual prices.

Mr. Mather.—Obviously, of course, if it is for heavier wheels and axles the price must go up.

Mr. Hindley.—Our figures are averages of course.

Mr. Mather.—Your figures are averages for a set of wheels and axles, the weight of which may possibly have changed. Have you any information?

Mr. Hindley.—I do not know whether we have information about that. We will have to look into it. *The figures we have given are averages of all purchases. We have not got figures per ton.

President.—Then question 15 is "Have the Railway Board considered the possibility of using basic steel for the wheel centres, tyres and axles of wagons in accordance with the alternative British Standard specification? If so, what was the decision arrived at?"—This question, of course, looks forward to the possibility of using Indian steel in future for certain purposes.

Mr. Hindley.—This point has not really been considered specifically by the Railway Board. But the present specification was drawn up by the Wagon sub-committee of the I. R. C. A.

President.—But did they accept the alternative specification?

Mr. Mather.—I am not sure what decision was arrived at. I presume that in that respect you took the advice of the Consulting Engineers to the India Office?

Mr. Hindley.—Yes. The Consulting Engineers' advice was taken on the specification.

Mr. Mather.—So far as I am aware they have still kept to the specification which only allows acid steel.

Mr. Hindley.—We are not prepared to express a considered opinion on the question whether the use of basic steel could be permitted.

President.—The only point of it is that, if wagons are to be made in India from Indian materials, it is desirable that the whole wagon should be so manufactured, but unless basic steel can be used for wheels and axles, this is not possible.

Mr. Mather.—There are now British Standard specifications which do allow the use of basic steel for locomotive and carriage axles and springs, and I think one or two classes of tyres as well.

Mr. Hindley.—It is a question which requires careful consideration.

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* See Statement II.

President.—I only want to know whether you have considered that question.

Mr. Hindley.—I do not think that we can say that the Railway Board as such have definitely considered it. Undoubtedly any proposal made by the committee of the I. R. C. A. must be put before us but I cannot say that we have considered the question, as implying that we have considered and thrown it out.

President.—The alternative specification which permits the use of basic steel has not yet been accepted by the Indian Railways?

Mr. Hindley.—I do not think it has.

President.—The question so to speak is not closed and might be re-opened?

Mr. Hindley.—Yes.

President.—It is not an immediate question at all: it is a question for the future. Question 16 is "May we take it that the communiqué of the 1st March 1918 still expresses the policy of the Government of India regarding wagon building in India?"

Mr. Hindley.—That communiqué represents the policy to which the Railway Board is now conforming under the orders of the Government of India.

President.—Question 17 is "Are all the wagons for which tenders are called for annually for delivery within one year?"

Mr. Hindley.—Yes.

President.—Supposing an order were given in February, what will be the latest date for delivery—would it be 31st March in the following year? Would April to March be the year with which delivery was to be made?

Mr. Hindley.—That I think is the practice still.

President.—Question 18—"What is the estimated number of wagons likely to be required by the Indian Railways annually during the next five years, whether as additions or replacements. It would be convenient if the information could be given separately for—

(a) State Railways,
(b) Company Railways,

and also for broad and meter-gauge. To what extent would the State Railway demands increase and the Company Railways demand diminish, when the contracts of the G. I. P. R. and the E. I. R. terminate? Will the demand for the next two years be up to the average demand or below it?"

Mr. Hindley.—It is very difficult for me to give any reliable estimate for the probable requirements during the next five years. We took that whole question under review during the last year and our examination is not really complete. Our preliminary conclusion is that some of the railways are over-stocked, and it is quite probable that provision of additional facilities and special repair facilities may have to precede provision of stock, that is, speaking generally. The total demand for the next year for all railways was placed at between 5,000 and 5,500, but on an examination of the proposals of the Railways the Railway Board have revised the figures. At present we have admitted the necessity of only about 3,000. It may be increased to something between 4,000 and 4,500. That is the position.

President.—For the year after that?

Mr. Hindley.—It is very difficult for us to look ahead and give any figures which can be considered as reliable at the present time. The whole object of our policy at present is to make better use of our wagons and all railways are working with that in view. On some railways we have had very remarkable results in better use of wagons and we hope that other railways will also improve. That of course automatically reduces to some extent the additions necessary year by year, so that it would be probably inadvisable for me to give any figures which might hereafter be used as part of our definite policy as adding so many wagons per year.

President.—Are you in a position to tell us whether you think that, if 4,000 to 4,500 is the next year's requirement, during the next five years the average will tend to be somewhat higher.

Mr. Hindley.—It also depends on unknown factors such as increase of traffic which we have to review year by year but I should think that it might be a little higher than that possibly.

President.—You are not prepared to go further?

Mr. Hindley.—I do not think so at the present time. The matter is extraordinarily difficult. The more we examine it, the more difficulty we find in arriving at any forecast of definite requirement. I believe we shall arrive at that after we have improved our methods of examination by which we can make a forecast some years ahead. At the moment everything is in a state of fluctuation and it is 'ifficult to forecast ahead.

President.—Between the Company and the State Railways can you tell us how the next year's figures will probably be divided?

Mr. Hindley.—Our examination of the matter shows that the State Railways on the whole are rather over-stocked at present. It will take some years to work up to normal figures. Of the figure of 4,500 I have referred to, 3,600 are broad-gauge wagons. 2,500 of these represent the requirements of the E. I. R. and the G. I. P. R. and 1,100 those of the other Railways.

President.—So far as the present State Railways are concerned, their demand would obviously be very small?

Mr. Hindley.—The figure, 4,500, refers to both additions and renewals.

President.—From the point of view of the wagon builder it makes no difference.

Mr. Hindley.—No. I referred to it in case it was thought that the question of renewal was overlooked.

President.—The requirements of the State Railways would be a good deal higher than those of the remaining Company Railways.

Mr. Hindley.—That is so I think. That figure is not to be taken as average for five years. That is only for next year and possibly considerably below the normal. I might give an indication or an idea of what our annual additions *plus* renewals would be when we have got little more settled and returned to normal conditions. We think that the annual renewals on a basis of 40 years' life will be about 3,750. Additions will be about the same figure. So 7,500 is what we anticipate we shall be wanting in five years' time.

President.—What it come to is this: You expect to reach that figure, but you cannot say when you will get it?

Mr. Hindley.—Yes.

President.—Question 22 is "Do the Railway Board consider that the Standard Wagon Co. possess in their works at Asansol an up-to-date equipment suitable for the economical production of wagons?"

Mr. Hindley.—I think we can say 'yes' to that.

President.—It has come into existence after the war and has an opportunity naturally of being up to date which other firms have not.

Mr. Hindley.—"Up-to-date" in engineering matters is rather a difficult thing to define, because to-day is always different from yesterday.

President.—But still yesterday was so recent?

Mr. Hindley.—I would like to add that very great advances are being constantly made in the process of manufacture at Home. So I should like to qualify the statement to that extent.

President.—Question 23 is "How many wagons do the Railway Board consider the Indian Standard Wagon Co. could probably complete in a year at present, when the labour is still largely untrained and the management has to gain experience?"

Mr. Hindley.—It is very difficult to assess. On the one hand, they claim they are equipped for 2,000 a year: on the other hand, we might give you their outturn.

President.—That would be useful.

Mr. Hindley.—We have drawn graphs which are rather interesting. The Indian Standard Wagon Co. have turned out 470 wagons in the last eight months, equal to an average of about 700 a year.

Mr. Ginwala.—The output must depend on the orders they get.

Mr. Hindley.—The diagram shows the orders they get and the outturn. (Hands over the graph* to the President.)

President.—Was that all one order or a series of orders?

Mr. Hindley.—They were given practically at the same time. One for 500, second for 120 and the third for 80.

Mr. Ginwala.—According to that their output must approximate to the orders?

Mr. Hindley.—I would like to draw attention to the placing of the order and the date on which they began to deliver.

Mr. Mather.—At the time when the first order was accepted in 1920, the works were not completed.

Mr. Hindley.—I do not know.

Mr. Mather.—I do not know the exact date of completion, but the works were not completed then.

Mr. Hindley.—Orders were given and the contract accepted for delivery within the year.

President.—Then as regards other companies?

Mr. Hindley.—Messrs. Burn & Co.—average outturn was about 450 wagons a year during the last two years.

Messrs. Jessop & Co.—average rather less than 300 wagons a year during the last two years.

Mr. Mather.—Can you tell us, in a case in which you place your orders in February with the English manufacturer for a large number of wagons, at what time delivery commences, and what is the interval between placing the order and the completion of delivery? Do you expect to get delivery in six months from the time you placed the order, or longer?

Mr. Hindley.—We have not got information here readily. I think we had better look that up.

President.—It would be useful if you could give the information. Then there is another point. How long does it take after a wagon is received at an Indian port before it is erected?

Mr. Hindley.—We will give the information. We shall give you some actual figures about that.†

President.—That practically finishes the questions of fact which I wanted to ask.

Mr. Hindley.—You have still some further questions about facts as regards locomotives and rails. I do not know if you will take them first, but if you are going to ask questions—and want my personal opinion or if they affect questions of policy—I would like to be heard *in camera.*

President.—Meanwhile I would like to take as much as possible in public. I thought it would be convenient to finish our examination as regards wagons and then take locomotives.

Mr. Ginwala.—I would like to know a little more about the wagon purchases in 1922. The price given by you f.o.b. was £171 and the average pre-war price was £155, only a difference of £16. Do you think that is a sufficient difference between the pre-war price and the post-war price with regard to any form of steel manufacture?

Mr. Hindley.—It is very hard for me to answer that question.

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* Not printed.

† See Statement III.

Mr. Ginwala.—How does it strike you? From £155 to a rise to £171 means only a difference of 10 per cent. That hardly represents the real difference in the rise of prices in all classes of steel?

Mr. Hindley.—I am not in a position to give you an opinion.

Mr. Ginwala.—I may tell you that the complaint of the Indian manufacturer is that these are not post-war commercial prices, because the difference between these prices and the pre-war prices is only 10 per cent., which is not in accordance with our experience in other branches of steel.

Mr. Hindley.—The cost of material is a comparatively small factor and fabrication is a larger proportion to everyone's knowledge. The process of manufacture has been improved enormously as a result of the intensive work done during the war. That always of course conduces to bring down the prices.

Mr. Ginwala.—That of course is one of the explanations no doubt, but has the Railway Board tried to work out the cost of materials, say, in the year 1922 when it got this offer of £171 as to what it might have cost the British manufacturer?

Mr. Hindley.—We have got their quotations.

Mr. Ginwala.—Would you mind giving them to us?

Mr. Hindley.—£72/15.

Mr. Ginwala.—Was this figure given to you before the tender was accepted?

Mr. Hindley.—In the tender.

Mr. Ginwala.—So that the extra cost, I mean cost above material, we may put roughly at £100?

Mr. Hindley.—That is right.

Mr. Ginwala.—If the Indian manufacturer could give you a wagon in that stage, I mean unfinished, for £100 over the cost of material, will the Railway Board have any objection to paying that price?

Mr. Hindley.—It is necessary for me to explain here that when an English tenderer puts in the cost of raw materials as £72/15, he really means the cost of raw material as such without fabrication. Now, there are a great many processes which he can do himself in his works which an Indian firm is not in a position to do, and therefore there is no real comparison of £72/15 with the cost of material to the Indian manufacturer.

Mr. Ginwala.—My point is this: if you take £72/15 as the price of the British manufacturers' raw materials, then the Railway Board is paying him £100 for labour and cost above material, isn't that so?

Mr. Hindley.—Yes.

Mr. Ginwala.—Now, if you get the same result, so far as the cost above material is concerned, in India, will the Railway Board have any objetcion? Supposing the Indian manufacturer says that he wants £100, for all his labour and everything else, to deliver these wagons to you in the condition in which the British manufacturer delivers them, will the Railway Board consider it a good offer?

Mr. Hindley.—Well, that is a hypothetical question.

Mr. Ginwala.—Supposing he did? According to these figures the British manufacturer gets £100 above the cost of material?

Mr. Hindley.—Yes.

Mr. Ginwala.—We may take it that £100 represents a fair price to pay for the cost above material and the profits and everything?

Mr. Hindley.—Yes.

Mr. Ginwala.—You would be prepared to allow that figure to the Indian manufacturer, would you not, for that part of the work?

Mr. Hindley.—There are difficulties; raw materials would not refer to the same thing in both cases.

Mr. Mather.—Does that £72/15 include vacuum brake gear?

Mr. Hindley.—I presume the British manufacturer buys that out.

Mr. Mather.—The tender merely contains the statement that the raw material amounts to £72/15 without stating what they are?

Mr. Hindley.—Yes.

Mr. Ginwala.—I am not dealing with the materials for the moment. I am dealing with the cost above material. Supposing that the Indian manufacturer asks for £100 for all costs above material, then in that case I take it the Railway Board ought to have no objection.

Mr. Hindley.—I would not like to answer that question in those terms because you are omitting the words "raw materials."

President.—Do you mean that the materials which the British manufacturers refer to are not comparable with the materials meant by the Standard Wagon Company?

Mr. Hindley.—That is what we assume.

Mr. Ginwala.—Supposing the Indian manufacturer charges in his tender £100 for similar sort of work, that would be reasonable from the Railway Board's point of view?

Mr. Hindley.—The only thing reasonable from the Railway Board's point of view is to get the cheapest wagons!

Mr. Ginwala.—I will show you presently that the Indian manufacturer does not charge you £100 according to his own figure for this kind of work.

Mr. Hindley.—I would not admit that we would consider that offer as a reasonable one. We are now concerned with the higher cost of the wagon itself.

Mr. Ginwala.—I am not saying that you are not entitled to get the best value of your money. We are now trying to compare the cost above material to the Railway Board in the two countries. These figures show that the British manufacturer expects £100 above the cost of raw materials, and that does not include the subsequent charges?

Mr Hindley.—No.

Mr. Ginwala.—According to the figures that these people (the Indian Standard Wagon Company) have given us on page 20 of their evidence in Statement B, where they give their own costs, on the right hand side they give a figure of Rs. 1,577.

Mr. Hindley.—That includes all charges and profit?

Mr. Ginwala.—Yes, fabrication and everything. Now, the point is this. If the British manufacturer gets £100 here and you have got to incur these additional charges—Rs. 325 for assembling—they come to about Rs. 1,825 as against Rs. 1,577 of the Indian manufacturer?

Mr. Hindley.—You are comparing these materials which he puts down at Rs. 3,100 with that £72/15. But of course if you take this line that complicates the whole question—

President.—What you are contending is that the British manufacturer does work which the Indian manufacturer does not do?

Mr. Hindley.—Yes.

President.—Can you give us concrete instances?

Mr. Hindley.—I am only attempting to give an explanation of the extraordinary difference between the Indian manufacturer's quotation for materials—Rs. 3,109—and the British manufacturer's quotation of £72/15. I am not in a position to give you an exact explanation of it, but I can indicate how that is arrived at.

President.—It is rather important if you can tell us how far your views are based on actual facts.

Mr. Hindley.—I can tell you that. I think it is a matter of common knowledge—

President.—After all some of the steel that is used in the wagon the Indian manufacturer receives from the Tata Iron and Steel Company. I take it you would call that raw steel?

Mr. Hindley.—Yes.

President.—So far as that is concerned there is no difference between what the British manufacturer does and what the Indian manufacturer does?

Mr. Mather.—We examined the Standard Wagon Co.'s representatives fairly closely on this table of quantities and prices given by them, and we criticised a number of items as being at rather too high a rate per ton, and they never as a defence put forward that they received these things in any form which can reasonably be regarded as fabricated. They did specifically mention that steel sections were in some cases cut to dead lengths, but that is probably the practice of the wagon builders at Home.

President.—We shall not get much further on, unless we get a little closer to the details.

Mr. Hindley.—I have not got the details at present: I am sorry.

Mr. Ginwala.—They have given various kinds of steel that they use. They do not appear, as far as we can see, to be fabricated.

Mr. Hindley.—In the first place bars, angles, channels, cast iron, wrought iron, etc., these things might certainly be considered as being cut to definite length. That is to a certain extent fabrication. It affects the cost.

Mr. Mather.—Of course I am not in a better position than you are to say what the practice of the British manufacturer is, but I should expect that he would buy his wrought iron, steel plates and so on in much the same form.

Mr. Brayshay.—The duty will also have to be paid by the Indian manufacturer.

Mr. Mather.—You bring out the wagon according to the figures given to us at £2/10 a ton, whereas the Indian manufacturer gets out his raw materials at between 20 and 25 shillings a ton—at any rate a good deal of it. Their own estimate for wastage on materials in the form in which it was received was round about 5 per cent. Obviously things like this they do not bring out cut to shape, and that I think applies also to the British manufacturer.

Mr. Ginwala.—Do these materials include everything—vacuum brakes, buffers and so on?

Mr. Mather.—There is an item of this kind, for example. The Indian Standard Wagon Company has put down "4 Axle Boxes complete" which I think were imported. There is very little difference between that and what the British manufacturer makes.

Mr. Hindley.—Yes. That is pretty certain, and in fact all these things from there downwards (page 21 of Indian Standard Wagon Co.'s original representation) come under this category, I think.

Mr. Mather.—Many of these things are made by the Indian Standard Wagon Company themselves, *e.g.*, buffers. I think it is normal for them to make buffers. I have seen them doing it.

Mr. Hindley.—Probably they were making buffers of a type not accepted as standard for some special order.

President.—Take the case of vacuum brakes. Would the British manufacturer be manufacturing these things under a license from the patentees?

Mr. Chase.—He buys them.

President.—Then this explanation won't apply to that.

Mr. Mather.—Is not the price of the vacuum brake included in the price of raw materials—£72/15?

Mr. Hindley.—We have no details.

Mr. Ginwala.—Do the Indian wagon builders give you particulars of their raw materials?

Mr. Hindley.—For the imported materials, not for the whole.

Mr. Ginwala.—Did you check them to see whether they were paying proper prices or not? Did you compare them with the price of the British material to find out whether they were paying a fair price for their materials?

Mr. Hindley.—I don't think that a comparison was made. It would be very difficult to make a comparison because the prices were fluctuating.

Mr. Ginwala.—So far as the Railway Board were concerned, they did not make any enquiry whether these were correct quotations?

Mr. Hindley.—I don't think that that point was considered.

Mr. Ginwala.—Did not these people make a proposal that they would take a certain percentage on the total cost by way of price?

Mr. Hindley.—I cannot recall any definite offer of that kind. We had a number of meetings with their Directors, but I do not remember that any definite offer of that sort was put before us.

Mr. Ginwala.—In a letter dated the 7th June 1923 they say "They are also prepared to undertake the supply of wagons for next year's requirements on the basis of cost, *plus* 10 per cent. They will submit all their books for audit by the Government; and they will give a guarantee that the price paid for steel, materials and fittings shall not be in excess of the market prices and that present prices for labour shall be charged without enhancement. This would be an assurance that no large profits are looked for; and it would at the same time convince the Government that the prices quoted by the Indian manufacturers are reasonable."

Mr. Hindley.—I see that offer was made.

Mr. Ginwala.—Did the Railway Board consider it?

Mr. Hindley.—Yes.

Mr. Ginwala.—What was the decision?

Mr. Hindley.—We rejected it.

Mr. Ginwala.—Were there any reasons given for that?

Mr. Hindley.—I don't know whether we gave any reasons in our reply. It was not a good business proposition for us. In the first place, we should have to undertake a great deal of examination and investigation of their books, and that would lead to further investigation as to their processes, whether they were economically carried out. And that in turn would lead to some kind of control over their work. We pointed that out to them that that would result in our having complete audit and inspection of their books and complete technical inspection of their works, which would, in short, practically amount to managing their works for them. That we did not consider to be a business proposition.

Mr. Ginwala.—Did you consider it from another point of view as to how much you would consider a reasonable remuneration to them for their cost above material?

Mr. Hindley.—It is extraordinarily difficult for us to make any kind of statement as to what would be a proper remuneration. We did not consider that.

Mr. Ginwala.—I do not expect you to do it from their point of view, but from your own point of view have you considered whether it would be remunerative to the Railway Board to give them a particular sum above the cost of materials?

Mr. Hindley.—We have not considered that. It depends entirely on the method adopted for doing the work, the equipment available, class of staff available, the profit they expect to get, the profit it is reasonable that they should get, and so on.

Mr. Ginwala.—But the profit that you would be prepared to give?

Mr. Hindley.—Our idea is to get the wagons in the cheapest market. I am afraid I have not made any estimate and it would be impossible to make an estimate that would be reliable.

President.—After all, we started on the basis that, in the view of the Government of India, it is very desirable that wagons should be manufactured in India. That much at least the communiqué discloses. Well, at present the difficulty is that the Indian wagon costs a great deal more than the imported wagon. After all, the expenditure on the wagon naturally divides itself into two parts—expenditure on materials and expenditure on fabrication and assembling. What we are really trying to discover is where exactly the difference is coming in, whether it is in the materials, or whether it is in what the Indian manufacturer does with the materials, that makes his price so high. If we could satisfy ourselves that, as far as the work which the Indian manufacturer does, he is not spending more than the manufacturer in other countries would do on similar work, then I think the case becomes a stronger one, and also then one has to investigate how it is that the British manufacturer could obtain his materials as cheaply as he really does. It seems to me exceedingly doubtful whether that figure is worth anything if he is never called upon to explain. He can put down any figure he likes. I don't see what material he can get for £72. It is something like £10 per ton.

Mr. Hindley.—Yes.

President.—In view of the fact that it includes such things as vacuum brakes, it must cost a good deal more than that if you are going to take it by weight.

Mr. Ginwala.—Is this the only figure he gave?

Mr. Hindley.—That is all.

Mr. Ginwala.—He did not give any details to explain that figure?

Mr. Hindley.—No details.

Mr. Mather.—Quite a considerable proportion of the weight of 7½ tons is taken by wrought iron which he cannot make in his own works; galvanized sheet is also not made in his works; and spring steel too, the price of which is also above that of the structural steel.

Mr. Hindley.—We are in difficulty in regard to this matter because we do not know. We are only guessing. We do not know what his arrangements are with the companies which produce these things. That is the real point. It is no good guessing. We can only conjecture that perhaps he has arrangements with others that make it possible for him to buy at a very low rate. I do not know.

Mr. Mather.—There is another alternative. He has perhaps assumed at the end of 1922 the price at which he might be able to buy in 1923, expecting some fall in price.

Mr. Hindley.—Possibly.

Mr. Mather.—I know that that has happened with some big tenders. Sometimes the tenderer is successful and sometimes not.

Mr. Ginwala.—It is also explained by the fact that, having regard to the state of affairs in the steel industry at that time—and steel manufacturers were in a state of great depression—they might have sold raw steel to the wagon builders at prices which were as low as that. Would that be possible?

Mr. Hindley.—That is possible.

Mr. Ginwala.—Did the Indian manufacturer give details with his original tender as to how he made up his figure Rs. 5,000?

Mr. Brayshay.—He only gives us a list of imported materials. That he has got to put in for working certain clauses in the tender, chiefly the variation clause.

Mr. Mather.—You don't put a clause in the tender forms as sent to the Indian manufacturer to the effect that Indian materials should be used as much as possible?

Mr. Hindley.—No, the list is primarily necessary for the purpose of comparison.

Mr. Mather.—If the rupee had fallen below 1*s.* 4*d.*, you would have paid some compensation in regard to those imported materials, is that it?

Mr. Hindley.—We had a clause to that effect, but we have done away with it now.

Mr. Mather.—That was in existence at that time?

Mr. Hindley.—Yes, that was the reason why the Indian tenderer gave a list of the imported materials that he would have to use.

Mr. Ginwala.—Did he give you the total costs of the materials that he was going to use?

Mr. Hindley.—No.

Mr. Ginwala.—I take it that you merely compared his total price with the British quotation?

Mr. Hindley.—Yes.

Mr. Ginwala.—You did not at all go into the question as to how his price was so much higher?

Mr. Hindley.—No. We talked about it a good deal, but I don't think that we went into that in any great detail.

Mr. Ginwala.—In October 1922 it was Rs. 3,500, but in July 1923 it was Rs. 4,000. There was a rise of Rs. 500.

Mr. Hindley.—Yes, because we called for a very much smaller number.

Mr. Ginwala.—That also is a disadvantage of the Indian manufacturer. He has generally to manufacture on a smaller scale. If you look at page 20 of the representation of the Standard Wagon Co. you will see that the total cost of finished wagon in India is given there as Rs. 4,686.

Mr. Hindley.—What date was that supposed to be?

Mr. Ginwala.—September 1923. They put this as the least price at which they could possibly manufacture.

Mr. Hindley.—They actually tendered in July approximately for Rs. 5,000.

Mr. Ginwala.—Supposing the difference between the price of the Indian manufacturer and that of the British manufacturer was Rs. 500, would the Railway Board consider that as too big a difference to permit of their giving orders?

Mr. Hindley.—According to the Stores Rules, price being equal, preference should be given to the Indian manufacturer.

President.—It is not what the Railway Board think, but what the Government of India think: that is what it really comes to.

Mr. Mather.—If the difference in July had been Rs. 500 or 700, you would have possibly put that up to the Standing Finance Committee and the Railway Advisory Committee?

Mr. Hindley.—We should not be bound to do so. It is not part of the procedure. It might be done as a special case.

Mr. Ginwala.—Even though the difference had been reduced substantially?

Mr. Mather.—The difference was so great that you could not take action; but if it had been less, would you have put the matter before the Finance Committee and the Railway Advisory Committee?

Mr. Hindley.—Not necessarily.

Mr. Kale.—If the Government of India want to encourage wagon building in India, they will have to lay down a policy for your guidance and then only you can take into account this difference. If that is not done by the Government of India, you will have to follow the ordinary stores purchase rules. If the Government of India desire to give any real encouragement to the wagon building industry in this country, they will have to issue instructions specially to you and tell you to use your discretion and to take into account the difference in the price of raw materials and building and so on. Then and then only you can take action, am I right?

Mr. Hindley.—I think that it is correct.

Mr. Kale.—You don't feel that you will be authorised to make any departure in the interests of the wagon building industry?

Mr. Hindley.—I am not authorised to make any departure from the Stores Rules.

Mr. Kale.—Do the Stores Rules imply that to a certain extent you can use your discretion and allow the Indian industry something more? If the price is not unfavourable, the quality being the same, I think that you are allowed to use your discretion.

Mr. Brayshay.—Rule 14 of the Stores Rules is, I think, decisive.

Mr. Hindley.—I think that refers to the power of the Government of India.

Mr. Kale.—I am thinking of your powers. Have you any power of discretion?

Mr. Ginwala.—If you have no discretion left, the Stores Rules will have to be changed.

President.—The Railway Board have no power to change the rules.

Mr. Hindley.—This is the rule about articles manufactured in India from imported materials:—

"All articles manufactured in India from imported materials should, by preference, be purchased in India, subject, however, to the following conditions:—

(a) That the substantial part of the process of manufacture of the articles purchased has been performed in India.

(b) That the price is as low as that at which articles of similar quality can be obtained through the India Office.

(c) That the materials employed are subjected to such inspection and tests as may be prescribed by the Government of India.

NOTE.—The term "a substantial part of the process of manufacture" in clause (a) means that "a substantial part of the preparation of the finished article must be performed in India, whether from raw materials or from component parts obtained in a finished state from other sources."

President.—As soon as Tata's begin to produce plates, sheets and so on, I take it that the greater portion of the raw materials of wagons would be made of Indian materials?

Mr. Hindley.—I think so.

President.—Would it not then come under the other rule? It is a mixed case as long as anything is imported.

Mr. Hindley.—Yes, provided the price is not unfavourable.

President.—That is not a point of great importance. There is no question of the price not being unfavourable. The price will be unfavourable.

Mr. Kale.—The Government of India will have to do something special in order that the Railway Board may be induced to take action.

Mr. Ginwala.—Apart from the question of price: is it your opinion that wagon building should be encouraged in this country?

Mr. Hindley.—Is it my personal opinion that you ask?

Mr. Ginwala.—Yes, as a head of the Department.

Mr. Hindley.—I am subscribing to the policy of the Government of India, outlined in their communiqué, that it is desirable.

Mr. Ginwala.—In that case, either the Government of India or the country ought to be prepared to pay a little price.

Mr. Hindley.—I should think that is inevitable.

Mr. Ginwala.—I take it that it is not possible at all for the Indian manufacturer to obtain his raw materials so cheaply as the British manufacturer?

Mr. Hindley.—I think it is doubtful.

Mr. Ginwala.—Then, in any comparison don't you think that it would be advisable that the Railway Board and other purchasing Departments should have power to take that factor into account, *viz.*, that the Indian manufacturer can in no circumstances obtain his raw materials as cheaply as the British manufacturer of wagons, because the latter goes in for a very large output and has got various connections with other manufacturers. I mean these are the advantages of the foreign industry which must be taken as more or less permanent. Now in comparing prices, don't you think that if the rules were altered, there should be power given to the purchasing authorities—in this case the Railway Board—to take that factor into account?

Mr. Hindley.—I am not quite certain that that would be the best way of doing it.

President.—The system should make some allowance for the fact that the Indian manufacturer has to pay more for his raw materials.

Mr. Hindley.—Are we right in assuming always that he will have to pay more for his raw materials?

Mr. Ginwala.—I am looking at it purely from the common sense point of view. The British manufacturer has built up his connection with the manufacturers of his raw materials. He has also an arrangement with the fabricating people. For instance, he has got connections with people who manufacture buffers and so on, because he is a regular customer and he buys in large quantities. Therefore it may be assumed, as a business man would assume, that his prices would be lower than the prices of another man buying on a smaller scale. How can the Indian manufacturer get over that difficulty?

Mr. Hindley.—It is always open to him to make similar connections with the manufacturers of his raw materials.

Mr. Ginwala.—His output is not great. Moreover, it takes time to build up connections.

Mr. Hindley.—He has had sufficient time, I think.

Mr. Ginwala.—But his orders were small.

Mr. Hindley.—He could not produce anything more. What I want to indicate is that I don't think it quite right to assume that he will never be able to build up connections.

Mr. Ginwala.—So long as he is not able to do so, he will be at a great disadvantage.

Mr. Hindley.—He ordinarily will be able to make his own arrangements. He has got the power to arrange just as the other people have.

Mr. Ginwala.—For that purpose I think that it is necessary that even if he does not get very large and extensive orders, the orders that he gets must be more or less regular. He must have a certainty of getting them.

Mr. Hindley.—Certainly it would be to his advantage to get the certainty of orders.

Mr. Ginwala.—Without that, he cannot enter into any arrangements with British manufacturers.

Mr. Hindley.—It will be more difficult.

President.—The British manufacturing firms of 30 or 40 years' standing can get orders from somewhere except in the most abnormal year, but it is a difficult thing for a firm in India which has never got going to obtain orders. Take the case of Burn & Co., or Jessop & Co. If you want them to quote a special price, what could they say? They cannot, so to speak, have a standing arrangement. Don't you think that there is a danger of a vicious circle? You never get started.

Mr. Hindley.—There is that danger undoubtedly.

President.—There is this additional point that as soon as Tatas get going with their plates and sheets, the Indian manufacturer is going to give much smaller orders to the British manufacturers. One must remember that on

the assumption that the proportion of Indian materials is certainly going to increase, and the whole position has got to be faced.

Mr. Hindley.—Yes.

Mr. Ginwala.—It would be rather a difficult thing to compare the prices unless you compare them with the Indian prices of materials, at which they would be available to the wagon manufacturers.

Mr. Hindley.—Yes.

Mr. Ginwala.—So that you will have to take further powers in comparing prices to take into account any additional cost that the Indian manufacturer may have to incur in connection with his purchases in India.

Mr. Hindley.—I don't know what position you are putting me into.

Mr. Ginwala.—We will take it this way.

Mr. Hindley.—Are you asking me these questions as representing the Government of India or the Railway Board or as a railway expert?

Mr. Ginwala.—All put together, Mr. Hindley. If the Government of India decide to give effect to their policy of encouraging wagon building in India, you have not got the power to make a departure from the Stores Rules by which you can take certain factors only into account. We have been discussing those factors. One of them is the new factor which would be going into the calculations and it is this. Tatas have applied for protection. Supposing they get protection, then the prices of raw materials that are available in the country also go up in proportion. In comparing British prices with Indian prices, you will have to take into account the fact that the Indian materials cost a certain percentage more.

Mr. Hindley.—Yes?

Mr. Ginwala.—If the Government of India really intend that they should encourage wagon building in India, they must give you the power to take that factor into account in comparing prices.

President.—And so long as there are different rates of customs duty, *viz.*, one for raw materials and the other for finished articles.

Mr. Hindley.—That might be one way of doing it, but I don't think that it is the only way.

Mr. Mather.—Do you think that you would be able to devise and work satisfactorily a machinery for comparing prices of raw materials?

Mr. Hindley.—I don't think that we could. It might be possible, but it would mean a great deal of staff, a great deal of work and a great deal of uncertainty.

Mr. Ginwala.—If, as is expected, nearly 80 per cent. of the raw material that is required in wagon building would be produced in India, the price that you would mainly take into account is the Indian price. That would not be very difficult.

Mr. Hindley.—As compared with what?

Mr. Ginwala.—As compared with the cost of the British manufacturer.

Mr. Hindley.—We shall have very great difficulty in finding what his costs are.

Mr. Ginwala.—If you have not get his actual prices, you can ascertain the prices of raw materials from the market.

Mr. Hindley.—I don't think that it would be any guide to what he has to pay for them. It would be extraordinarily difficult to arrive at any exactness which would assist in making a proper comparison.

Mr. Ginwala.—You take the total price which the British manufacturer quotes. Then you would say: "These people buy their raw materials here." The cost of the raw materials has gone up by Rs. 500 on account of additional duty. Then you would simply add Rs. 500 to the British price.

Mr. Hindley.—And pay Rs. 500 more for the wagon. I would like to know who is going to pay the Rs. 500.

President.—The Rs. 500 is arrived at on the basis of Tatas' claim of 33⅓ per cent. as applied to the Standard Wagon Co. That is why Mr. Ginwala gave you that particular figure.

Mr. Ginwala.—Otherwise there would again be a big difference between the British price and the Indian price.

Mr. Hindley.—That has to be taken into consideration of course.

Mr. Ginwala.—Have you received tenders for next year? Are you in a position to tell us about them?

Mr. Hindley.—I am afraid not. We have just received them and they are being examined.

Mr. Ginwala.—Can you give us some idea as to when you are likely to have information available.

Mr. Hindley.—We will give it confidentially, when ready.*

Mr. Ginwala.—Have some British firms tendered in India also?

Mr. Hindley.—Yes, they have. They tender originally to the Director-General of Stores, but copies are sent to us.

President.—I take it that up to the last moment the tenders may be varied?

Mr. Hindley.—Yes.

President.—For that reason you cannot say that the tenders received here are final?

Mr. Hindley.—That is the point.

Mr. Ginwala.—Among the tenderers has that firm that got the order last year also tendered?

Mr. Hindley.—I may be able to give that information confidentially later.

President.—The Metropolitan Co. got the order last year?

Mr. Hindley.—That firm would certainly quote.

Mr. Ginwala.—With regard to pre-war prices have you got the cost of the British material?

Mr. Hindley.—We have not got it.

Mr. Ginwala.—In answer to question 14 you told the President that the average price of wheels and axles went up from £44 to £84; whereas the price of raw materials does not seem to have gone up very much over the pre-war price. Does it not strike you as rather unusual?

Mr. Hindley.—The argument I was using just now about improved processes probably does not apply very much in this case

Mr. Mather.—Probably not so much. The figures are so very different from those that have been given by the G. I. P., that I think it is very possible that an alteration in the design may account for a good deal of the difference. The figure the G. I. P. have given was more or less what I expected, but your figure of 100 per cent. rise is certainly high.

Mr. Hindley.—We are going to look into that.

President.—One cannot see why competition should not bring down the cost of wheels and axles as much as the price of anything else, and what the Standard Wagon Co. said was that the British manufacturers were endeavouring to knock them out. There is a room for doubt, however, whether that has anything to do with the price last year. It is quite evident that the British manufacturers were competing very keenly amongst themselves, and it does not look like a combination to knock out the Indian manufacturer when there are three English firms all tendering below £180. They are clearly competing against each other. If so, why should there not be the same competition in wheels and axles?

Mr. Ginwala.—Will you kindly refer to pages 15—16 of the written statement of Burn & Co. They rather feel hurt that they appear in such unfavourable light when compared with the British manufacturer in the comparison

* Not printed.

of Indian and foreign prices, and they want to know whether you have taken certain items into account. They mention—

(1) Freight to destination of materials from Indian port.
(2) Handling charges of material in railway workshops.
(3) Erection of the wagons or underframes.
(4) Painting and lettering of wagons, packing of axle boxes, taring of wagons and;
(5) Overhead and stores charges to cover depreciation, interest, rates and taxes, supervision, powers, repairs and renewals necessary in all workshops.

Is there anything in what they say?

Mr. Hindley.—As regards the details of that figure Rs. 325, we have told we will work that out and we shall look up point No. 2 at the same time.* "Freight to destination of materials from Indian port"—it is rather difficult to say whether this was taken into consideration, freight would vary all over the country, of course.

President.—Let us take the State Railways. Where would the N. W. Railway, for instance, assemble imported wagons?

Mr. Hindley.—At Karachi.

President.—In that case there would not be any freight to take in. What about the E. B. Railway?

Mr. Hindley.—At Kanchrapara.

President.—The O. & R. Railway would have to do it at Lucknow?

Mr. Hindley.—Formerly at Lucknow, but now at Karachi.

President.—Will you take into account this particular sentence which Mr. Ginwala read when you give us details for Rs. 325.

Mr. Hindley.—Yes.

Mr. Ginwala.—There is one other point on which I would like information if you can get it. They say: "It is known to the committee that the prices recently quoted by Indian builders for under-frames were as low as, if not lower than, those quoted by foreign manufacturers. This is due apart from "dumping" prices—to the fact that the foreign builder has to complete under-frames almost to the same extent as the Indian manufacturer is required to do." Is that so?

Mr. Hindley.—Yes, the quotations were practically the same as the Indian quotations.

Mr. Mather.—Were orders given to the Indian manufacturer?

Mr. Hindley.—Yes.

Mr. Ginwala.—The importance of the point is this: the difference between the English manufacturer and the Indian manufacturer is mainly one of work above the under-frame.

Mr. Hindley.—It is quite a different proposition. These are carriage under-frames, not wagon under-frames.

Mr. Ginwala.—So far as the under-frames are concerned there would not be much difference.

Mr. Mather.—The principle is of course similar: the variation in types the English manufacturer has to deal is very much larger.

Mr. Ginwala.—For repetition work the British manufacturer would be in a better position.

Mr. Hindley.—If there were 1,000 of them they would be in a better position to quote.

Mr. Mather.—The position appears to be that, where the work is more or less special and varying, the Indian manufacturer is able to compete reasonably well, but where there is a large scale repetition work, he is at a great disadvantage?

* See Statement I.

Mr. Hindley.—Yes. Another factor has to be taken into consideration and that is the probability, in the future, of getting complete wagons imported into the country, erected and ready to be put on the rail.

President.—If you imported a wagon complete, would you not have to pay more freight?

Mr. Hindley.—Under a new system of shipment of heavy articles, such as wagons and locomotives, which has recently been introduced, they are able to reduce freight on locomotives and wagons to a very great extent We have just imported 13 complete locomotives ready for use at a very very low freight rate compared with anything that we had before.

President.—As regards locomotives, after all it is a more solid thing than a wagon. It is much heavier in proportion to its bulk, and it is one thing to import 13 locomotives and another thing to import 300 wagons.

Mr. Hindley.—Even if we do not get to the stage of importing them complete, we may have more work done at Home.

Mr. Ginwala.—With regard to the order for wagons, apart from the question of prices, if it was to be placed in the country, would it be the best thing to call for tenders for only a certain number of wagons a year in India? Would that be one of the ways of doing it, supposing the Government of India decided that wagon building should be encouraged in this country?

Mr. Hindley.—For certain proportion of their requirements?

Mr. Ginwala.—I mean, to give them a reasonable output to run their works economically.

Mr. Hindley.—You have to remember that they will then have a complete monopoly. We have got three firms and possibly one at Karachi. Of the three firms, two firms are under one managing agency and doing 80 per cent. of the outturn. You have got to take that factor into consideration. You have no index price, no regulator price. It would be a monopoly.

Mr. Ginwala.—The Government will not be bound to accept an exorbitant figure.

President.—The proposal definitely put forward by the Company was that a certain proportion of the wagon requirements should be given out to the lowest Indian tender, and we put a lot of questions to them as to whether there would be enough competition and whether any safeguard would be needed.

Mr. Hindley.—I should call it an extremely bad business proposition for any Government to say "I shall want 3,000 wagons a year and I will give the order to the lowest Indian tender." The result would be that they would charge whatever price they liked. No Government would commit themselves to a policy of that kind if they wanted to work railways on commercial lines.

Mr. Ginwala.—There is another way in which it may be done. It is this. Your expert officers can work out how much the British manufacturer gets above his cost of materials and, if what the Indian manufacturer demanded was approximately equal to that amount, that may be a way of doing it.

Mr. Hindley.—That might be one way if Government do not mind how much they paid for wagons.

Mr. Ginwala.—I am eliminating for the moment the cost of materials. The more important point is to find out how much it costs above the cost of materials, and, supposing the figure that you obtained by an examination of the British figures was not very much smaller than the figure you obtained by an examination of the Indian figures, would not that be a way of doing it?

Mr. Hindley.—Don't we get back to that other question now?

Mr. Ginwala.—We have dismissed the other idea as not being practicable, but I am asking you whether there is anything difficult in this?

Mr. Hindley.—I think you are up against the same difficulty of knowing exactly what is fabrication and what is raw material. You have to define in every case.

Mr. Ginwala.—We take raw material in both cases absolutely unfabricated.

President.—We have to define.

Mr. Hindley.—The moment you define it, you begin to stereotype these processes and remove any incentive to improvement.

President.—That is to say, if the industry is to develop healthily you think it important that economies should be gradually effected by Indian manufacturers undertaking more processes than he can at present, so that from year to year materials would mean a different thing and cost above material would mean a different thing?

Mr. Hindley.—Yes.

Mr. Ginwala.—Is there any chance of the Railway administration more or less standardising their types of wagons?

Mr. Hindley.—They are doing it now.

Mr. Ginwala.—You mean you have not got as many varieties as you had before?

Mr. Hindley.—We have a large number of varieties, but they are standardised.

President.—But still there are varieties. So far as is possible they should not indulge in a sort so to speak of fancy varieties?

Mr. Hindley.—That is settled.

Mr. Mather.—Does not that mean that for all practical purposes you have defined the materials in the wagon or at any rate a great part of it? Do not the standard designs stipulate that each particular part should be made of a particular kind of material, so that there would be comparatively little scope (so long as your designs remain as they are) for alteration in the materials of the finished wagon?

Mr. Hindley.—There is a great deal of scope for alteration.

Mr. Mather.—You do not think that it would be impossible to work that.

President.—One would like to know just what it would amount to.

Mr. Ginwala.—Does the Railway Board purchase materials of this kind, I mean structural materials?

Mr. Hindley.—No. The Railway Board does not purchase any materials direct.

Mr. Ginwala.—You have got no data for checking these prices?

Mr. Hindley.—We can only check them by the India Office contracts.

Mr. Brayshay.—There is no comparison unless you get the same quantity and exactly at the same date.

Mr. Ginwala.—It would have been very useful if you could indicate to us whether these prices were more or less reasonable.

Mr. Hindley.—I am afraid I have not examined them. Even then it is very difficult. As Mr. Brayshay says, the price varies so much with the quantity you ask for. If you tender for a small quantity, you will have to pay a very much higher price.

President.—There are three or four points in regard to wagons that I would like to take up. Question 7 was:—"Do the Railway Board accept the contention of the Standard Wagon Company and Jessop & Company, that the British manufacturer could not make a normal profit at a price less than that which would give the Indian manufacturer about Rs. 5,000 for the wagon completely assembled in India, but excluding wheels and axles, (that is Rs. 5,000 instead of Rs. 3,500)"? I think we may take it from what you have already said that the Railway Board do not admit the contention of the wagon building companies out here that the British manufacturer

cannot make a normal profit at less than Rs. 5,000 a wagon. I do not say that you deny it, but you do not accept it anyhow?

Mr. Hindley.—We do not accept that contention.

President.—It was a part of an endeavour to prove that their price was the correct price?

Mr. Hindley.—The only point is that if you had given the English manufacturer Rs. 5,000 at that time, it would have meant that they would have made an additional profit of £100 a wagon which is hardly normal.

President.—Their contention is that not only there was no profit on the accepted tender, but that there was a heavy loss; that is their contention.

Mr. Hindley.—I see that.

President.—Then question 11 was "The Indian manufacturers urge that so long as they are under an obligation to use Indian materials wherever possible, it is not fair that they should be asked to compete on even terms with the foreign manufacturer." What I wanted particularly to ask there was how exactly you interpret the condition that the Indian manufacturer is under an obligation to use Indian materials as far as possible? Supposing the Indian material costs a good deal more than the imported, is he still under an obligation to use Indian material?

Mr. Hindley.—We do not make any specific obligation of that kind. The point is that preference is given to the Indian manufacturers in case the quality and prices are equal and the Indian manufacturer is required to do a substantial part of the process of manufacture in India. I submit that question 11 does not state the fact quite correctly. The fact is that he is required to undertake a substantial part of the manufacturing process in India. In one of our contracts last year we said that, should any arrangement be come to with the Tata Iron and Steel Company, Government taking their steel under certain favourable conditions, then we might require the contracting Indian firms to use their steel, but they are not correct in saying that they are under an obligation to use Indian material wherever possible.

President.—Looking at it from a broader point of view it is not the same thing to develop wagon manufacture in India with imported materials as it is to develop it on the basis. If it is all a part of the policy for the encouragement of industries in India, there is not much in it unless it reaches the stage when the materials are obtained in India.

Mr. Hindley.—Speaking of actual facts they are not under an obligation.

President.—In any case in the communiqué and in the rules as they stand at present, the question would not arise unless the prices were close together?

Mr. Hindley.—Yes.

President.—Question 19 was. "Do the Railway Board consider that the manufacture of wagons can be developed economically by an engineering firm interested in many other branches of work, or do they think it preferable that wagon building should be done by firms who concentrate on that exclusively"?

Mr. Hindley.—It is entirely a matter of opinion. I don't think one can express a general opinion on that.

President.—What was in my mind is this. Very much has been said about economies which can be effected by mass production and so on, and one might perhaps say that it is less likely that a firm doing engineering work would be in a position to develop, keep itself pu to date and so on, whereas if, it is interested in nothing else but wagon building, its continued existence would depend on its ability to keep its cost of production as low as possible.

Mr. Hindley.—Yes; there is something in that.

Mr. Chase.—There are a good many firms at Home which undertake general engineering work as well as wagon building. There are very many well-known firms.

President.—One can see that in some ways the experience of the firm in general engineering may be valuable in the manufacture of wagons. When we visited Messrs. Burn & Co.'s works at Howrah, they showed us their wagon building department. It was very cramped for accommodation and there was literally no room for expansion. The Indian Standard Wagon Co., we were told, was, so to speak, the natural development of the wagon building department of their works. If there is to be any development it must be through the Standard Wagon Co., and not at the Howrah works. Messrs. Jessop & Co. are in a different position; their wagon works are at Garden Reach. On the other hand, we understood, that the Bengal Nagpur Railway were giving them notice to take possession of that site. We have not yet heard that a final decision has been come to. As far as we could judge there was not a great deal of equipment at Garden Reach, and if they were going to make a fresh start, it would mean a start from the beginning.

Mr. Hindley.—They can put up their works elsewhere but that is rather beside the point. It is simply a question of resources more than anything else. There is no reason why an ordinary engineering firm should not launch out in wagon building. So long as it does it along with other structural work, it is not likely to develop very largely, I think, but they might have separate works for wagons.

President.—Supposing Jessops were establishing a wagon building works in another site and distinct from their own works; that you would regard practically as a separate thing?

Mr. Hindley.—Yes.

President.—It can develop?

Mr. Hindley.—If Jessops are turned out of the place, they would put their wagon building works somewhere else.

President.—Sir Henry Freeland, giving evidence in Bombay, rather agreed with the idea that it was on the whole desirable that, in order to get economical production, it would be better to do nothing but wagon manufacture.

Mr. Hindley.—If they are going to do it in a mass production way, it is desirable that the workshops should be specially designed for wagon building.

President.—On that basis, at any rate, there seems a possibility that just at present the Standard Wagon Company are in a stronger position in that matter than anybody else in India.

Mr. Hindley.—So far as we can judge by quality and rate of outturn—that is what we are interested in—there is not much to choose between the two firms. Jessops quality is good and their rate of outturn is just as favourable. That is the result of actual experience, I mean.

President.—After all the Standard Wagon Company is a new comer and it has not got fairly started yet.

Well, then, let us go on to question 21 "Sir Henry Freeland giving evidence on behalf of the B., B. & C. I. Railway informed the Tariff Board that the manufacture of wagons at Ajmer had taken years of development and expressed the opinion that thoroughly economical production could not be obtained all at once but only by gradually proceeding from one stage to another. Do the Railway Board endorse this view"? Sir Henry told us that that had been their experience at the Ajmer Works. They began by doing almost nothing except assembling, and they gradually took up the various processes of manufacture. He thought that if they had tried to do too much at once, they would not have been so successful.

Mr. Hindley.—I think he was quite right. I think the main reason for that is the difficulty of training Indian labour and supervising staff. That is the real crux of the matter. That would not apply ordinarily to any other country. Specially in the case of workshops such as the Standard Wagon Company and the Railway workshops where you have to start training your labour, there you can probably say that it is better to start with a small beginning and gradually work up. But, on the other hand, I am not quite satisfied about it when you come to modern methods of production. It

is quite possible that with improved machinery, automatic machines and so on, the question of training labour would not be such an important factor in the future. I mean you can have a machine which can be worked even by a boy without mechanical skill, for turning out the finished product, but that means, of course, a very high development somewhere of which these people would reap the benefit. Speaking ordinarily, the whole thing depends on the training of labour in the various processes.

Mr. Mather.—If you attempt the development of works piecemeal, it will take a long time to get your mechanical equipment suitable for mass production. For a long time you have an outturn in which your overhead costs are low, but you have to employ much more labour in the production of one wagon and that hardly avoids your labour difficulties. That implies that you have to employ more men.

Mr. Hindley.—That is right.

President.—What was more in my head is this: supposing the Standard Wagon Company (I take its case as typical) were assured of orders for a certain number of years, it would be reasonable to expect that its capacity for production would steadily increase, and that on the whole its cost of production would diminish?

Mr. Hindley.—Yes; I think it is reasonable.

President.—So that the higher price that might have to be paid at present to the Indian manufacturer, would not be a correct index of the difference in prices 8 or 10 years ahead?

Mr. Hindley.—I quite agree.

President.—So that any additional price paid would not be a permanent burden on the taxpayer?

Mr. Hindley.—No. I would like to enter one reservation. If you make it permanent, it will be permanent. What I mean is that it is most important, if any assistance is to be given, to device such assistance as will tend to better the cost of production rather than to stereotype the present methods of high costs.

President.—I gather from what you said that you think the scheme that is outlined in question 26 might be subject to that criticism,—namely, the scheme by which you would divide the cost of production into two parts (*a*) cost of materials and (*b*) costs above materials?

Mr. Hindley.—Yes.

President.—The cost of material, it was suggested, would be determined annually by public tender, that is to say, the wagon building company would have to call for tenders annually for all materials required, and what they were to receive on account of materials would be determined by the Railway Board on the basis of these tenders. Except for very good reasons being shown, the lowest tender would naturally be taken as the determining factor. As regards the cost above materials, it would be necessary to fix the sum by negotiation in the first instance, and this sum would steadily decrease by agreed figures from year to year. The plan would to some extent provide an incentive to economy of production by the mere fact that the allowance for manufacture—for fabricating, so to speak,—would steadily go down. But the scheme has only been put forward as a suggestion, and I shall be very glad indeed to hear what you have to say about it.

Mr. Hindley.—I think that is the main objection to the scheme. What we are interested in is, if wagon building is to be established in India, to have some means by which there shall be an incentive towards better production, cheaper methods and improvement of quality gradually. One has a sort of repugnance to a scheme which is based on any underlying principle, which means perpetuating their present methods of production and giving them no great incentive to improve their methods materially. This is why I object to the proposal under which you divide the materials from the cost above materials. The essential thing in the successful manufacture of wagons

is that the people who are responsible should be considering their materials and overhead costs together, so that they can improve the whole of their process. That is what we really want to get at rather than to eliminate the material, saying "That is not your fault; you cannot help it, but the balance of cost you can help." You take away any incentive from him to improve his manufacture in every direction and do more fabrication here and do it by better methods. I do not know whether I have made myself clear, but it seems to me to be essential to devise some means which will tend to improve the whole manufacture and not only one part of it.

Mr. Ginwala.—Of course we see the objections that are there to this particular part of it, but supposing it were found that the wagon building industry ought to be encouraged in India to start with, and secondly, supposing in the course of our investigation as a Board we felt that the Indian manufacturer could not at all compete against the British manufacturer for reasons that we shall give, in those conditions what alternative would you suggest? Of course you can put on a tariff duty which would cost the Railways a good deal.

Mr. Hindley.—We have always to bear in mind that the cost of transportation has got to be watched, but I take it that you do not want to enter into that side of the question largely.

President.—The Board would be glad to take into consideration any proposals that would reduce the burden on transportation to the minimum.

Mr. Hindley.—Then of course, keeping that in view, any method which can be suggested for giving the Indian manufacturers preference or giving them power to compete on equal terms with English prices, must be so devised that it does not really affect the cost of wagons to the railways.

President.—It is going rather far to suggest that the measures taken should not affect railway costs at all. I should refuse to accept that as a preliminary condition.

Mr. Hindley.—In attempting to give transportation at the lowest possible cost coupled with a reasonable return on the capital invested, it is essential that the railways should buy all their equipment and stores at the lowest possible price. Now, if for other reasons you are going to encourage wagon building in India, if you do that by increasing the cost of wagons all round to the railways, you will throw an undue burden on the railways and therefore on the cost of transportation. You might argue that the increased cost of transportation might be so small as not to appreciably affect rates and fares. But on the other hand we must adhere to the principle, for there are many other things to be considered besides wagons. I take it I am not laying down anything new or very startling, but a principle which seems to be fundamental. For that reason any device suggested should be paid for (whether it is a subsidy or a bounty or whatever you may call it) from other funds than the railway funds. That is the point I should like to press strongly, otherwise it would affect the cost of working the railways.

President.—I quite appreciate that, as Head of the Railway administration, it is not possible for you to take any other line. But nevertheless one has to recognize the fact that the Resolution creating the Tariff Board tends rather in the opposite direction.

Mr. Hindley.—What I was aiming at is this, that, if you could clear the problem of some of the difficulties by assuming that there are funds available for the purpose of encouraging the industry, then you could get down to considering best practical means of settling in each case what price should be paid.

Mr. Ginwala.—Is there really any difference between what you are proposing and the Government and the country saying "All right, we shall have less profit from our Railways." In India the bulk of the Railways belong to the State. How does the State benefit by simply saying "All right, we shall give 100,000 Pounds in bounties" any more than it can by saying "Our expenditure has gone up in the matter of transport: we shall make less profits"?

Mr. Hindley.—I was trying to get to the practical problem which the Tariff Board want to get at, without bringing in that question. The broad question of policy belongs to a much higher politics than the immediate question.

Mr. Ginwala.—We also have to look at it from the practical point of view.

Mr. Hindley.—You will have to give a different mandate then to the Railway Board. The clear policy of the Government is that the railways should be worked as business concerns.

Mr. Ginwala.—We are not concerned with the Government's policy with regard to the railways. We have simply got to see how much it is going to cost Government. Is it going to cost any the less in the long run to the tax-payer? If a bounty is paid direct to the manufacturer of wagons or if the Government get less profits on railway administrations, so far as we are concerned, it does not matter at all.

Mr. Hindley.—It does matter to me very much.

Mr. Ginwala.—In making our proposals we have got to weigh the balance of advantages.

Mr. Hindley.—You have got to bear in mind the declared policy of the Government. It is my duty to point out that you cannot bring that within the four corners of the declared policy of the Government of India.

Mr. Ginwala.—It is for the higher authorities to consider. We have only got to consider the net advantages that Government might derive from one proposal or the other or the net disadvantages. I cannot see for myself anyhow what difference it is going to make in the finance of the Government as a whole.

Mr. Hindley.—That is only a question of book-keeping. That is not a question of principle. You will get nearer to the practical question if you assume for the sake of argument that there are separate funds available for giving bounties.

President.—We will take it on the footing that whatever you suggest is on the basis of the charge falling elsewhere than directly on railway funds.

Mr. Hindley.—Yes.

President.—It will not have to be met by increased railway rates and fares. On that basis have you any suggestions to make which will be of help to us?

Mr. Hindley.—I am not an expert in the matter of subsidies and bounties. I have not studied the question of their ultimate effects but it does occur to me that if anything is to be done, it must be done by means of a bounty per wagon on wagons manufactured in India. That is to my mind much the simplest way of doing it.

President.—On that basis how do you suggest that the Board should determine the bounty? Up-to-date we have nothing to go upon except the 1922 tenders and the information we got from the wagon manufacturing companies in Calcutta. That is one great difficulty we have in dealing with the matter by way of a bounty.

Mr. Hindley.—It comes to this—if I may transpose the matter a little. How can we fix the standard price or what it should cost the Indian manufacturer to build a wagon, that is what it comes to.

President.—More than that. Supposing the bounty were to be fixed over a period of years, any proposal that we may make must imply an opinion as to the price at which wagons are likely to be imported.

Mr. Hindley.—Yes.

President.—We should have to consider very carefully how far the prices of October 1922 were the prices of the worst period of depression and how

President.—After all, we started on the basis that, in the view of the Government of India, it is very desirable that wagons should be manufactured in India. That much at least the communiqué discloses. Well, at present the difficulty is that the Indian wagon costs a great deal more than the imported wagon. After all, the expenditure on the wagon naturally divides itself into two parts—expenditure on materials and expenditure on fabrication and assembling. What we are really trying to discover is where exactly the difference is coming in, whether it is in the materials, or whether it is in what the Indian manufacturer does with the materials, that makes his price so high. If we could satisfy ourselves that, as far as the work which the Indian manufacturer does, he is not spending more than the manufacturer in other countries would do on similar work, then I think the case becomes a stronger one, and also then one has to investigate how it is that the British manufacturer could obtain his materials as cheaply as he really does. It seems to me exceedingly doubtful whether that figure is worth anything if he is never called upon to explain. He can put down any figure he likes. I don't see what material he can get for £72. It is something like £10 per ton.

Mr. Hindley.—Yes.

President.—In view of the fact that it includes such things as vacuum brakes, it must cost a good deal more than that if you are going to take it by weight.

Mr. Ginwala.—Is this the only figure he gave?

Mr. Hindley.—That is all.

Mr. Ginwala.—He did not give any details to explain that figure?

Mr. Hindley.—No details.

Mr. Mather.—Quite a considerable proportion of the weight of 7½ tons is taken by wrought iron which he cannot make in his own works; galvanized sheet is also not made in his works; and spring steel too, the price of which is also above that of the structural steel.

Mr. Hindley.—We are in difficulty in regard to this matter because we do not know. We are only guessing. We do not know what his arrangements are with the companies which produce these things. That is the real point. It is no good guessing. We can only conjecture that perhaps he has arrangements with others that make it possible for him to buy at a very low rate. I do not know.

Mr. Mather.—There is another alternative. He has perhaps assumed at the end of 1922 the price at which he might be able to buy in 1923, expecting some fall in price.

Mr. Hindley.—Possibly.

Mr. Mather.—I know that that has happened with some big tenders. Sometimes the tenderer is successful and sometimes not.

Mr. Ginwala.—It is also explained by the fact that, having regard to the state of affairs in the steel industry at that time—and steel manufacturers were in a state of great depression—they might have sold raw steel to the wagon builders at prices which were as low as that. Would that be possible?

Mr. Hindley.—That is possible.

Mr. Ginwala.—Did the Indian manufacturer give details with his original tender as to how he made up his figure Rs. 5,000?

Mr. Brayshay.—He only gives us a list of imported materials. That he has got to put in for working certain clauses in the tender, chiefly the variation clause.

Mr. Mather.—You don't put a clause in the tender forms as sent to the Indian manufacturer to the effect that Indian materials should be used as much as possible?

Mr. Hindley.—No, the list is primarily necessary for the purpose of comparison.

Mr. Mather.—If the rupee had fallen below 1*s.* 4*d.*, you would have paid some compensation in regard to those imported materials, is that it?

Mr. Hindley.—We had a clause to that effect, but we have done away with it now.

Mr. Mather.—That was in existence at that time?

Mr. Hindley.—Yes, that was the reason why the Indian tenderer gave a list of the imported materials that he would have to use.

Mr. Ginwala.—Did he give you the total costs of the materials that he was going to use?

Mr. Hindley.—No.

Mr. Ginwala.—I take it that you merely compared his total price with the British quotation?

Mr. Hindley.—Yes.

Mr. Ginwala.—You did not at all go into the question as to how his price was so much higher?

Mr. Hindley.—No. We talked about it a good deal, but I don't think that we went into that in any great detail.

Mr. Ginwala.—In October 1922 it was Rs. 3,500, but in July 1923 it was Rs. 4,000. There was a rise of Rs. 500.

Mr. Hindley.—Yes, because we called for a very much smaller number.

Mr. Ginwala.—That also is a disadvantage of the Indian manufacturer. He has generally to manufacture on a smaller scale. If you look at page 20 of the representation of the Standard Wagon Co. you will see that the total cost of finished wagon in India is given there as Rs. 4,686.

Mr. Hindley.—What date was that supposed to be?

Mr. Ginwala.—September 1923. They put this as the least price at which they could possibly manufacture.

Mr. Hindley.—They actually tendered in July approximately for Rs. 5,000.

Mr. Ginwala.—Supposing the difference between the price of the Indian manufacturer and that of the British manufacturer was Rs. 500, would the Railway Board consider that as too big a difference to permit of their giving orders?

Mr. Hindley.—According to the Stores Rules, price being equal, preference should be given to the Indian manufacturer.

President.—It is not what the Railway Board think, but what the Government of India think: that is what it really comes to.

Mr. Mather.—If the difference in July had been Rs. 500 or 700, you would have possibly put that up to the Standing Finance Committee and the Railway Advisory Committee?

Mr. Hindley.—We should not be bound to do so. It is not part of the procedure. It might be done as a special case.

Mr. Ginwala.—Even though the difference had been reduced substantially?

Mr. Mather.—The difference was so great that you could not take action; but if it had been less, would you have put the matter before the Finance Committee and the Railway Advisory Committee?

Mr. Hindley.—Not necessarily.

Mr. Kale.—If the Government of India want to encourage wagon building in India, they will have to lay down a policy for your guidance and then only you can take into account this difference. If that is not done by the Government of India, you will have to follow the ordinary stores purchase rules. If the Government of India desire to give any real encouragement to the wagon building industry in this country, they will have to issue instructions specially to you and tell you to use your discretion and to take into account the difference in the price of raw materials and building and so on. Then and then only you can take action, am I right?

Mr. Hindley.—I think that it is correct.

Mr. Kale.—You don't feel that you will be authorised to make any departure in the interests of the wagon building industry?

Mr. Hindley.—I am not authorised to make any departure from the Stores Rules.

Mr. Kale.—Do the Stores Rules imply that to a certain extent you can use your discretion and allow the Indian industry something more? If the price is not unfavourable, the quality being the same, I think that you are allowed to use your discretion.

Mr. Brayshay.—Rule 14 of the Stores Rules is, I think, decisive.

Mr. Hindley.—I think that refers to the power of the Government of India.

Mr. Kale.—I am thinking of your powers. Have you any power of discretion?

Mr. Ginwala.—If you have no discretion left, the Stores Rules will have to be changed.

President.—The Railway Board have no power to change the rules.

Mr. Hindley.—This is the rule about articles manufactured in India from imported materials:—

"All articles manufactured in India from imported materials should, by preference, be purchased in India, subject, however, to the following conditions:—

(a) That the substantial part of the process of manufacture of the articles purchased has been performed in India.

(b) That the price is as low as that at which articles of similar quality can be obtained through the India Office.

(c) That the materials employed are subjected to such inspection and tests as may be prescribed by the Government of India.

NOTE.—The term " a substantial part of the process of manufacture " in clause (a) means that " a substantial part of the preparation of the finished article must be performed in India, whether from raw materials or from component parts obtained in a finished state from other sources."

President.—As soon as Tata's begin to produce plates, sheets and so on, I take it that the greater portion of the raw materials of wagons would be made of Indian materials?

Mr. Hindley.—I think so.

President.—Would it not then come under the other rule? It is a mixed case as long as anything is imported.

Mr. Hindley.—Yes, provided the price is not unfavourable.

President.—That is not a point of great importance. There is no question of the price not being unfavourable. The price will be unfavourable.

Mr. Kale.—The Government of India will have to do something special in order that the Railway Board may be induced to take action.

Mr. Ginwala.—Apart from the question of price: is it your opinion that wagon building should be encouraged in this country?

Mr. Hindley.—Is it my personal opinion that you ask?

Mr. Ginwala.—Yes, as a head of the Department.

Mr. Hindley.—I am subscribing to the policy of the Government of India, outlined in their communiqué, that it is desirable.

Mr. Ginwala.—In that case, either the Government of India or the country ought to be prepared to pay a little price.

Mr. Hindley.—I should think that is inevitable.

Mr. Ginwala.—I take it that it is not possible at all for the Indian manufacturer to obtain his raw materials so cheaply as the British manufacturer?

Mr. Hindley.—I think it is doubtful.

Mr. Ginwala.—Then, in any comparison don't you think that it would be advisable that the Railway Board and other purchasing Departments should have power to take that factor into account, *viz.*, that the Indian manufacturer can in no circumstances obtain his raw materials as cheaply as the British manufacturer of wagons, because the latter goes in for a very large output and has got various connections with other manufacturers. I mean these are the advantages of the foreign industry which must be taken as more or less permanent. Now in comparing prices, don't you think that if the rules were altered, there should be power given to the purchasing authorities—in this case the Railway Board—to take that factor into account?

Mr. Hindley.—I am not quite certain that that would be the best way of doing it.

President.—The system should make some allowance for the fact that the Indian manufacturer has to pay more for his raw materials.

Mr. Hindley.—Are we right in assuming always that he will have to pay more for his raw materials?

Mr. Ginwala.—I am looking at it purely from the common sense point of view. The British manufacturer has built up his connection with the manufacturers of his raw materials. He has also an arrangement with the fabricating people. For instance, he has got connections with people who manufacture buffers and so on, because he is a regular customer and he buys in large quantities. Therefore it may be assumed, as a business man would assume, that his prices would be lower than the prices of another man buying on a smaller scale. How can the Indian manufacturer get over that difficulty?

Mr. Hindley.—It is always open to him to make similar connections with the manufacturers of his raw materials.

Mr. Ginwala.—His output is not great. Moreover, it takes time to build up connections.

Mr. Hindley.—He has had sufficient time, I think.

Mr. Ginwala.—But his orders were small.

Mr. Hindley.—He could not produce anything more. What I want to indicate is that I don't think it quite right to assume that he will never be able to build up connections.

Mr. Ginwala.—So long as he is not able to do so, he will be at a great disadvantage.

Mr. Hindley.—He ordinarily will be able to make his own arrangements. He has got the power to arrange just as the other people have.

Mr. Ginwala.—For that purpose I think that it is necessary that even if he does not get very large and extensive orders, the orders that he gets must be more or less regular. He must have a certainty of getting them.

Mr. Hindley.—Certainly it would be to his advantage to get the certainty of orders.

Mr. Ginwala.—Without that, he cannot enter into any arrangements with British manufacturers.

Mr. Hindley.—It will be more difficult.

President.—The British manufacturing firms of 30 or 40 years' standing can get orders from somewhere except in the most abnormal year, but it is a difficult thing for a firm in India which has never got going to obtain orders. Take the case of Burn & Co., or Jessop & Co. If you want them to quote a special price, what could they say? They cannot, so to speak, have a standing arrangement. Don't you think that there is a danger of a vicious circle? You never get started.

Mr. Hindley.—There is that danger undoubtedly.

President.—There is this additional point that as soon as Tatas get going with their plates and sheets, the Indian manufacturer is going to give much smaller orders to the British manufacturers. One must remember that on

the assumption that the proportion of Indian materials is certainly going to increase, and the whole position has got to be faced.

Mr. Hindley.—Yes.

Mr. Ginwala.—It would be rather a difficult thing to compare the prices unless you compare them with the Indian prices of materials, at which they would be available to the wagon manufacturers.

Mr. Hindley.—Yes.

Mr. Ginwala.—So that you will have to take further powers in comparing prices to take into account any additional cost that the Indian manufacturer may have to incur in connection with his purchases in India.

Mr. Hindley.—I don't know what position you are putting me into.

Mr. Ginwala.—We will take it this way.

Mr. Hindley.—Are you asking me these questions as representing the Government of India or the Railway Board or as a railway expert?

Mr. Ginwala.—All put together, Mr. Hindley. If the Government of India decide to give effect to their policy of encouraging wagon building in India, you have not got the power to make a departure from the Stores Rules by which you can take certain factors only into account. We have been discussing those factors. One of them is the new factor which would be going into the calculations and it is this. Tatas have applied for protection. Supposing they get protection, then the prices of raw materials that are available in the country also go up in proportion. In comparing British prices with Indian prices, you will have to take into account the fact that the Indian materials cost a certain percentage more.

Mr. Hindley.—Yes?

Mr. Ginwala.—If the Government of India really intend that they should encourage wagon building in India, they must give you the power to take that factor into account in comparing prices.

President.—And so long as there are different rates of customs duty, *viz.*, one for raw materials and the other for finished articles.

Mr. Hindley.—That might be one way of doing it, but I don't think that it is the only way.

Mr. Mather.—Do you think that you would be able to devise and work satisfactorily a machinery for comparing prices of raw materials?

Mr. Hindley.—I don't think that we could. It might be possible, but it would mean a great deal of staff, a great deal of work and a great deal of uncertainty.

Mr. Ginwala.—If, as is expected, nearly 80 per cent. of the raw material that is required in wagon building would be produced in India, the price that you would mainly take into account is the Indian price. That would not be very difficult.

Mr. Hindley.—As compared with what?

Mr. Ginwala.—As compared with the cost of the British manufacturer.

Mr. Hindley.—We shall have very great difficulty in finding what his costs are.

Mr. Ginwala.—If you have not get his actual prices, you can ascertain the prices of raw materials from the market.

Mr. Hindley.—I don't think that it would be any guide to what he has to pay for them. It would be extraordinarily difficult to arrive at any exactness which would assist in making a proper comparison.

Mr. Ginwala.—You take the total price which the British manufacturer quotes. Then you would say: "These people buy their raw materials here." The cost of the raw materials has gone up by Rs. 500 on account of additional duty. Then you would simply add Rs. 500 to the British price.

Mr. Hindley.—And pay Rs. 500 more for the wagon. I would like to know who is going to pay the Rs. 500.

President.—The Rs. 500 is arrived at on the basis of Tatas' claim of 33⅓ per cent. as applied to the Standard Wagon Co. That is why Mr. Ginwala gave you that particular figure.

Mr. Ginwala.—Otherwise there would again be a big difference between the British price and the Indian price.

Mr. Hindley.—That has to be taken into consideration of course.

Mr. Ginwala.—Have you received tenders for next year? Are you in a position to tell us about them?

Mr. Hindley.—I am afraid not. We have just received them and they are being examined.

Mr. Ginwala.—Can you give us some idea as to when you are likely to have information available.

Mr. Hindley.—We will give it confidentially, when ready.*

Mr. Ginwala.—Have some British firms tendered in India also?

Mr. Hindley.—Yes, they have. They tender originally to the Director-General of Stores, but copies are sent to us.

President.—I take it that up to the last moment the tenders may be varied?

Mr. Hindley.—Yes.

President.—For that reason you cannot say that the tenders received here are final?

Mr. Hindley.—That is the point.

Mr. Ginwala.—Among the tenderers has that firm that got the order last year also tendered?

Mr. Hindley.—I may be able to give that information confidentially later.

President.—The Metropolitan Co. got the order last year?

Mr. Hindley.—That firm would certainly quote.

Mr. Ginwala.—With regard to pre-war prices have you got the cost of the British material?

Mr. Hindley.—We have not got it.

Mr. Ginwala.—In answer to question 14 you told the President that the average price of wheels and axles went up from £44 to £84; whereas the price of raw materials does not seem to have gone up very much over the pre-war price. Does it not strike you as rather unusual?

Mr. Hindley.—The argument I was using just now about improved processes probably does not apply very much in this case

Mr. Mather.—Probably not so much The figures are so very different from those that have been given by the G. I. P., that I think it is very possible that an alteration in the design may account for a good deal of the difference. The figure the G. I. P. have given was more or less what I expected, but your figure of 100 per cent. rise is certainly high.

Mr. Hindley.—We are going to look into that.

President.—One cannot see why competition should not bring down the cost of wheels and axles as much as the price of anything else, and what the Standard Wagon Co. said was that the British manufacturers were endeavouring to knock them out. There is a room for doubt, however, whether that has anything to do with the price last year. It is quite evident that the British manufacturers were competing very keenly amongst themselves, and it does not look like a combination to knock out the Indian manufacturer when there are three English firms all tendering below £180. They are clearly competing against each other. If so, why should there not be the same competition in wheels and axles?

Mr. Ginwala.—Will you kindly refer to pages 15—16 of the written statement of Burn & Co. They rather feel hurt that they appear in such unfavourable light when compared with the British manufacturer in the comparison

* Not printed.

of Indian and foreign prices, and they want to know whether you have taken certain items into account. They mention—

(1) Freight to destination of materials from Indian port.
(2) Handling charges of material in railway workshops.
(3) Erection of the wagons or underframes.
(4) Painting and lettering of wagons, packing of axle boxes, taring of wagons and;
(5) Overhead and stores charges to cover depreciation, interest, rates and taxes, supervision, powers, repairs and renewals necessary in all workshops.

Is there anything in what they say?

Mr. Hindley.—As regards the details of that figure Rs. 825, we have told we will work that out and we shall look up point No. 2 at the same time.* "Freight to destination of materials from Indian port"—it is rather difficult to say whether this was taken into consideration, freight would vary all over the country, of course.

President.—Let us take the State Railways. Where would the N. W. Railway, for instance, assemble imported wagons?

Mr. Hindley.—At Karachi.

President.—In that case there would not be any freight to take in. What about the E. B. Railway?

Mr. Hindley.—At Kanchrapara.

President.—The O. & R. Railway would have to do it at Lucknow?

Mr. Hindley.—Formerly at Lucknow, but now at Karachi.

President.—Will you take into account this particular sentence which Mr. Ginwala read when you give us details for Rs. 325.

Mr. Hindley.—Yes.

Mr. Ginwala.—There is one other point on which I would like information if you can get it. They say: "It is known to the committee that the prices recently quoted by Indian builders for under-frames were as low as, if not lower than, those quoted by foreign manufacturers. This is due apart from "dumping" prices—to the fact that the foreign builder has to complete under-frames almost to the same extent as the Indian manufacturer is required to do." Is that so?

Mr. Hindley.—Yes, the quotations were practically the same as the Indian quotations.

Mr. Mather.—Were orders given to the Indian manufacturer?

Mr. Hindley.—Yes.

Mr. Ginwala.—The importance of the point is this: the difference between the English manufacturer and the Indian manufacturer is mainly one of work above the under-frame.

Mr. Hindley.—It is quite a different proposition. These are carriage under-frames, not wagon under-frames.

Mr. Ginwala.—So far as the under-frames are concerned there would not be much difference.

Mr. Mather.—The principle is of course similar: the variation in types the English manufacturer has to deal is very much larger.

Mr. Ginwala.—For repetition work the British manufacturer would be in a better position.

Mr. Hindley.—If there were 1,000 of them they would be in a better position to quote.

Mr. Mather.—The position appears to be that, where the work is more or less special and varying, the Indian manufacturer is able to compete reasonably well, but where there is a large scale repetition work, he is at a great disadvantage?

* See Statement I.

Mr. Hindley.—Yes. Another factor has to be taken into consideration and that is the probability, in the future, of getting complete wagons imported into the country, erected and ready to be put on the rail.

President.—If you imported a wagon complete, would you not have to pay more freight?

Mr. Hindley.—Under a new system of shipment of heavy articles, such as wagons and locomotives, which has recently been introduced, they are able to reduce freight on locomotives and wagons to a very great extent We have just imported 13 complete locomotives ready for use at a very very low freight rate compared with anything that we had before.

President.—As regards locomotives, after all it is a more solid thing than a wagon. It is much heavier in proportion to its bulk, and it is one thing to import 13 locomotives and another thing to import 300 wagons.

Mr. Hindley.—Even if we do not get to the stage of importing them complete, we may have more work done at Home.

Mr. Ginwala.—With regard to the order for wagons, apart from th question of prices, if it was to be placed in the country, would it be the best thing to call for tenders for only a certain number of wagons a year in India? Would that be one of the ways of doing it, supposing the Government of India decided that wagon building should be encouraged in this country?

Mr. Hindley.—For certain proportion of their requirements?

Mr. Ginwala.—I mean, to give them a reasonable output to run their works economically.

Mr. Hindley.—You have to remember that they will then have a complete monopoly. We have got three firms and possibly one at Karachi. Of the three firms, two firms are under one managing agency and doing 80 per cent. of the outturn. You have got to take that factor into consideration. You have no index price, no regulator price. It would be a monopoly.

Mr. Ginwala.—The Government will not be bound to accept an exorbitant figure.

President.—The proposal definitely put forward by the Company was that a certain proportion of the wagon requirements should be given out to the lowest Indian tender, and we put a lot of questions to them as to whether there would be enough competition and whether any safeguard would be needed.

Mr. Hindley.—I should call it an extremely bad business proposition for any Government to say "I shall want 3,000 wagons a year and I will give the order to the lowest Indian tender." The result would be that they would charge whatever price they liked. No Government would commit themselves to a policy of that kind if they wanted to work railways on commercial lines

Mr. Ginwala.—There is another way in which it may be done. It is this. Your expert officers can work out how much the British manufacturer gets above his cost of materials and, if what the Indian manufacturer demanded was approximately equal to that amount, that may be a way of doing it.

Mr. Hindley.—That might be one way if Government do not mind how much they paid for wagons.

Mr. Ginwala.—I am eliminating for the moment the cost of materials. The more important point is to find out how much it costs above the cost of materials, and, supposing the figure that you obtained by an examination of the British figures was not very much smaller than the figure you obtained by an examination of the Indian figures, would not that be a way of doing it?

Mr. Hindley.—Don't we get back to that other question now?

Mr. Ginwala.—We have dismissed the other idea as not being practicable, but I am asking you whether there is anything difficult in this?

Mr. Hindley.—I think you are up against the same difficulty of knowing exactly what is fabrication and what is raw material. You have to define in every case.

Mr. Ginwala.—We take raw material in both cases absolutely unfabricated.

President.—We have to define.

Mr. Hindley.—The moment you define it, you begin to stereotype these processes and remove any incentive to improvement.

President.—That is to say, if the industry is to develop healthily you think it important that economies should be gradually effected by Indian manufacturers undertaking more processes than he can at present, so that from year to year materials would mean a different thing and cost above material would mean a different thing?

Mr. Hindley.—Yes.

Mr. Ginwala.—Is there any chance of the Railway administration more or less standardising their types of wagons?

Mr. Hindley.—They are doing it now.

Mr. Ginwala.—You mean you have not got as many varieties as you had before?

Mr. Hindley.—We have a large number of varieties, but they are standardised

President.—But still there are varieties. So far as is possible they should not indulge in a sort so to speak of fancy varieties?

Mr. Hindley.—That is settled.

Mr. Mather.—Does not that mean that for all practical purposes you have defined the materials in the wagon or at any rate a great part of it? Do not the standard designs stipulate that each particular part should be made of a particular kind of material, so that there would be comparatively little scope (so long as your designs remain as they are) for alteration in the materials of the finished wagon?

Mr. Hindley.—There is a great deal of scope for alteration.

Mr. Mather.—You do not think that it would be impossible to work that.

President.—One would like to know just what it would amount to.

Mr. Ginwala.—Does the Railway Board purchase materials of this kind, I mean structural materials?

Mr. Hindley.—No. The Railway Board does not purchase any materials direct.

Mr. Ginwala.—You have got no data for checking these prices?

Mr. Hindley.—We can only check them by the India Office contracts.

Mr. Brayshay.—There is no comparison unless you get the same quantity and exactly at the same date.

Mr. Ginwala.—It would have been very useful if you could indicate to us whether these prices were more or less reasonable.

Mr. Hindley.—I am afraid I have not examined them. Even then it is very difficult. As Mr. Brayshay says, the price varies so much with the quantity you ask for. If you tender for a small quantity, you will have to pay a very much higher price.

President.—There are three or four points in regard to wagons that I would like to take up. Question 7 was:—"Do the Railway Board accept the contention of the Standard Wagon Company and Jessop & Company, that the British manufacturer could not make a normal profit at a price less than that which would give the Indian manufacturer about Rs. 5,000 for the wagon completely assembled in India, but excluding wheels and axles, (that is Rs. 5,000 instead of Rs. 3,500)"? I think we may take it from what you have already said that the Railway Board do not admit the contention of the wagon building companies out here that the British manufacturer

cannot make a normal profit at less than Rs. 5,000 a wagon. I do not say that you deny it, but you do not accept it anyhow?

Mr. Hindley.—We do not accept that contention.

President.—It was a part of an endeavour to prove that their price was the correct price?

Mr. Hindley.—The only point is that if you had given the English manufacturer Rs. 5,000 at that time, it would have meant that they would have made an additional profit of £100 a wagon which is hardly normal.

President.—Their contention is that not only there was no profit on the accepted tender, but that there was a heavy loss; that is their contention.

Mr. Hindley.—I see that.

President.—Then question 11 was "The Indian manufacturers urge that so long as they are under an obligation to use Indian materials wherever possible, it is not fair that they should be asked to compete on even terms with the foreign manufacturer." What I wanted particularly to ask there was how exactly you interpret the condition that the Indian manufacturer is under an obligation to use Indian materials as far as possible? Supposing the Indian material costs a good deal more than the imported, is he still under an obligation to use Indian material?

Mr. Hindley.—We do not make any specific obligation of that kind. The point is that preference is given to the Indian manufacturers in case the quality and prices are equal and the Indian manufacturer is required to do a substantial part of the process of manufacture in India. I submit that question 11 does not state the fact quite correctly. The fact is that he is required to undertake a substantial part of the manufacturing process in India. In one of our contracts last year we said that, should any arrangement be come to with the Tata Iron and Steel Company, Government taking their steel under certain favourable conditions, then we might require the contracting Indian firms to use their steel, but they are not correct in saying that they are under an obligation to use Indian material wherever possible.

President.—Looking at it from a broader point of view it is not the same thing to develop wagon manufacture in India with imported materials as it is to develop it on the basis. If it is all a part of the policy for the encouragement of industries in India, there is not much in it unless it reaches the stage when the materials are obtained in India.

Mr. Hindley.—Speaking of actual facts they are not under an obligation.

President.—In any case in the communiqué and in the rules as they stand at present, the question would not arise unless the prices were close together?

Mr. Hindley.—Yes.

President.—Question 19 was. "Do the Railway Board consider that the manufacture of wagons can be developed economically by an engineering firm interested in many other branches of work, or do they think it preferable that wagon building should be done by firms who concentrate on that exclusively"?

Mr. Hindley.—It is entirely a matter of opinion. I don't think one can express a general opinion on that.

President.—What was in my mind is this. Very much has been said about economies which can be effected by mass production and so on, and one might perhaps say that it is less likely that a firm doing engineering work would be in a position to develop, keep itself pu to date and so on, whereas if, it is interested in nothing else but wagon building, its continued existence would depend on its ability to keep its cost ot production as low as possible.

Mr. Hindley.—Yes; there is something in that.

Mr. Chase.—There are a good many firms at Home which undertake general engineering work as well as wagon building. There are very many well-known firms.

President.—One can see that in some ways the experience of the firm in general engineering may be valuable in the manufacture of wagons. When we visited Messrs. Burn & Co.'s works at Howrah, they showed us their wagon building department. It was very cramped for accommodation and there was literally no room for expansion. The Indian Standard Wagon Co., we were told, was, so to speak, the natural development of the wagon building department of their works. If there is to be any development it must be through the Standard Wagon Co., and not at the Howrah works. Messrs Jessop & Co. are in a different position; their wagon works are at Garden Reach. On the other hand, we understood, that the Bengal Nagpur Railway were giving them notice to take possession of that site. We have not yet heard that a final decision has been come to. As far as we could judge there was not a great deal of equipment at Garden Reach, and if they were going to make a fresh start, it would mean a start from the beginning.

Mr. Hindley.—They can put up their works elsewhere but that is rather beside the point. It is simply a question of resources more than anything else. There is no reason why an ordinary engineering firm should not launch out in wagon building. So long as it does it along with other structural work, it is not likely to develop very largely, I think, but they might have separate works for wagons.

President.—Supposing Jessops were establishing a wagon building works in another site and distinct from their own works; that you would regard practically as a separate thing?

Mr. Hindley.—Yes.

President.—It can develop?

Mr. Hindley.—If Jessops are turned out of the place, they would put their wagon building works somewhere else.

President.—Sir Henry Freeland, giving evidence in Bombay, rather agreed with the idea that it was on the whole desirable that, in order to get economical production, it would be better to do nothing but wagon manufacture.

Mr. Hindley.—If they are going to do it in a mass production way, it is desirable that the workshops should be specially designed for wagon building.

President.—On that basis, at any rate, there seems a possibility that just at present the Standard Wagon Company are in a stronger position in that matter than anybody else in India.

Mr. Hindley.—So far as we can judge by quality and rate of outturn—that is what we are interested in—there is not much to choose between the two firms. Jessops quality is good and their rate of outturn is just as favourable. That is the result of actual experience, I mean.

President.—After all the Standard Wagon Company is a new comer and it has not got fairly started yet.

Well, then, let us go on to question 21 "Sir Henry Freeland giving evidence on behalf of the B., B. & C. I. Railway informed the Tariff Board that the manufacture of wagons at Ajmer had taken years of development. and expressed the opinion that thoroughly economical production could not be obtained all at once but only by gradually proceeding from one stage to another. Do the Railway Board endorse this view"? Sir Henry told us that that had been their experience at the Ajmer Works. They began by doing almost nothing except assembling, and they gradually took up the various processes of manufacture. He thought that if they had tried to do too much at once, they would not have been so successful.

Mr. Hindley.—I think he was quite right. I think the main reason for that is the difficulty of training Indian labour and supervising staff. That is the real crux of the matter. That would not apply ordinarily to any other country. Specially in the case of workshops such as the Standard Wagon Company and the Railway workshops where you have to start training your labour, there you can probably say that it is better to start with a small beginning and gradually work up. But, on the other hand, I am not quite satisfied about it when you come to modern methods of production. It

is quite possible that with improved machinery, automatic machines and so on, the question of training labour would not be such an important factor in the future. I mean you can have a machine which can be worked even by a boy without mechanical skill, for turning out the finished product, but that means, of course, a very high development somewhere of which these people would reap the benefit. Speaking ordinarily, the whole thing depends on the training of labour in the various processes.

Mr. Mather.—If you attempt the development of works piecemeal, it will take a long time to get your mechanical equipment suitable for mass production. For a long time you have an outturn in which your overhead costs are low, but you have to employ much more labour in the production of one wagon and that hardly avoids your labour difficulties. That implies that you have to employ more men.

Mr. Hindley.—That is right.

President.—What was more in my head is this: supposing the Standard Wagon Company (I take its case as typical) were assured of orders for a certain number of years, it would be reasonable to expect that its capacity for production would steadily increase, and that on the whole its cost of production would diminish?

Mr. Hindley.—Yes; I think it is reasonable.

President.—So that the higher price that might have to be paid at present to the Indian manufacturer, would not be a correct index of the difference in prices 8 or 10 years ahead?

Mr. Hindley.—I quite agree.

President.—So that any additional price paid would not be a permanent burden on the taxpayer?

Mr. Hindley.—No. I would like to enter one reservation If you make it permanent, it will be permanent. What I mean is that it is most important, if any assistance is to be given, to device such assistance as will tend to better the cost of production rather than to stereotype the present methods of high costs.

President.—I gather from what you said that you think the scheme that is outlined in question 26 might be subject to that criticism,—namely, the scheme by which you would divide the cost of production into two parts (*a*) cost of materials and (*b*) costs above materials?

Mr. Hindley.—Yes.

President.—The cost of material, it was suggested, would be determined annually by public tender, that is to say, the wagon building company would have to call for tenders annually for all materials required, and what they were to receive on account of materials would be determined by the Railway Board on the basis of these tenders. Except for very good reasons being shown, the lowest tender would naturally be taken as the determining factor. As regards the cost above materials, it would be necessary to fix the sum by negotiation in the first instance, and this sum would steadily decrease by agreed figures from year to year. The plan would to some extent provide an incentive to economy of production by the mere fact that the allowance for manufacture—for fabricating, so to speak,—would steadily go down. But the scheme has only been put forward as a suggestion, and I shall be very glad indeed to hear what you have to say about it.

Mr. Hindley.—I think that is the main objection to the scheme. What we are interested in is, if wagon building is to be established in India, to have some means by which there shall be an incentive towards better production, cheaper methods and improvement of quality gradually. One has a sort of repugnance to a scheme which is based on any underlying principle, which means perpetuating their present methods of production and giving them no great incentive to improve their methods materially. This is why I object to the proposal under which you divide the materials from the cost above materials. The essential thing in the successful manufacture of wagons

is that the people who are responsible should be considering their materials and overhead costs together, so that they can improve the whole of their process. That is what we really want to get at rather than to eliminate the material, saying "That is not your fault; you cannot help it, but the balance of cost you can help." You take away any incentive from him to improve his manufacture in every direction and do more fabrication here and do it by better methods. I do not know whether I have made myself clear, but it seems to me to be essential to devise some means which will tend to improve the whole manufacture and not only one part of it.

Mr. Ginwala.—Of course we see the objections that are there to this particular part of it, but supposing it were found that the wagon building industry ought to be encouraged in India to start with, and secondly, supposing in the course of our investigation as a Board we felt that the Indian manufacturer could not at all compete against the British manufacturer for reasons that we shall give, in those conditions what alternative would you suggest? Of course you can put on a tariff duty which would cost the Railways a good deal.

Mr. Hindley.—We have always to bear in mind that the cost of transportation has got to be watched, but I take it that you do not want to enter into that side of the question largely.

President.—The Board would be glad to take into consideration any proposals that would reduce the burden on transportation to the minimum.

Mr. Hindley.—Then of course, keeping that in view, any method which can be suggested for giving the Indian manufacturers preference or giving them power to compete on equal terms with English prices, must be so devised that it does not really affect the cost of wagons to the railways.

President.—It is going rather far to suggest that the measures taken should not affect railway costs at all. I should refuse to accept that as a preliminary condition.

Mr Hindley.—In attempting to give transportation at the lowest possible cost coupled with a reasonable return on the capital invested, it is essential that the railways should buy all their equipment and stores at the lowest possible price. Now, if for other reasons you are going to encourage wagon building in India, if you do that by increasing the cost of wagons all round to the railways, you will throw an undue burden on the railways and therefore on the cost of transportation. You might argue that the increased cost of transportation might be so small as not to appreciably affect rates and fares. But on the other hand we must adhere to the principle, for there are many other things to be considered besides wagons. I take it I am not laying down anything new or very startling, but a principle which seems to be fundamental. For that reason any device suggested should be paid for (whether it is a subsidy or a bounty or whatever you may call it) from other funds than the railway funds. That is the point I should like to press strongly, otherwise it would affect the cost of working the railways.

President.—I quite appreciate that, as Head of the Railway administration, it is not possible for you to take any other line. But nevertheless one has to recognize the fact that the Resolution creating the Tariff Board tends rather in the opposite direction.

Mr. Hindley.—What I was aiming at is this, that, if you could clear the problem of some of the difficulties by assuming that there are funds available for the purpose of encouraging the industry, then you could get down to considering best practical means of settling in each case what price should be paid.

Mr. Ginwala.—Is there really any difference between what you are proposing and the Government and the country saying "All right, we shall have less profit from our Railways." In India the bulk of the Railways belong to the State. How does the State benefit by simply saying "All right, we shall give 100,000 Pounds in bounties" any more than it can by saying "Our expenditure has gone up in the matter of transport: we shall make less profits"?

Mr. Hindley.—I was trying to get to the practical problem which the Tariff Board want to get at, without bringing in that question. The broad question of policy belongs to a much higher politics than the immediate question.

Mr. Ginwala.—We also have to look at it from the practical point of view.

Mr. Hindley.—You will have to give a different mandate then to the Railway Board. The clear policy of the Government is that the railways should be worked as business concerns.

Mr. Ginwala.—We are not concerned with the Government's policy with regard to the railways. We have simply got to see how much it is going to cost Government. Is it going to cost any the less in the long run to the tax-payer? If a bounty is paid direct to the manufacturer of wagons or if the Government get less profits on railway administrations, so far as we are concerned, it does not matter at all.

Mr. Hindley.—It does matter to me very much.

Mr. Ginwala.—In making our proposals we have got to weigh the balance of advantages.

Mr. Hindley.—You have got to bear in mind the declared policy of the Government. It is my duty to point out that you cannot bring that within the four corners of the declared policy of the Government of India.

Mr. Ginwala.—It is for the higher authorities to consider. We have only got to consider the net advantages that Government might derive from one proposal or the other or the net disadvantages. I cannot see for myself anyhow what difference it is going to make in the finance of the Government as a whole.

Mr. Hindley.—That is only a question of book-keeping. That is not a question of principle. You will get nearer to the practical question if you assume for the sake of argument that there are separate funds available for giving bounties.

President.—We will take it on the footing that whatever you suggest is on the basis of the charge falling elsewhere than directly on railway funds.

Mr. Hindley.—Yes.

President.—It will not have to be met by increased railway rates and fares. On that basis have you any suggestions to make which will be of help to us?

Mr. Hindley.—I am not an expert in the matter of subsidies and bounties. I have not studied the question of their ultimate effects but it does occur to me that if anything is to be done, it must be done by means of a bounty per wagon on wagons manufactured in India. That is to my mind much the simplest way of doing it.

President.—On that basis how do you suggest that the Board should determine the bounty? Up-to-date we have nothing to go upon except the 1922 tenders and the information we got from the wagon manufacturing companies in Calcutta. That is one great difficulty we have in dealing with the matter by way of a bounty.

Mr. Hindley.—It comes to this—if I may transpose the matter a little. How can we fix the standard price or what it should cost the Indian manufacturer to build a wagon, that is what it comes to.

President.—More than that. Supposing the bounty were to be fixed for a period of years, any proposal that we may make must imply an opinion as to the price at which wagons are likely to be imported.

Mr. Hindley.—Yes.

President.—We should have to consider very carefully how far the prices of October 1922 were the prices of the worst period of depression and how

far they were likely to be permanent. If the bounty were fixed on that basis for a period of, say, five years, and after three years from now a boom occurred and prices went up very substantially, all incentive to the Indian manufacturer to reduce his costs would be gone.

Mr. Hindley.—We have not got down to the practical proposition of giving a bounty. Cannot we for the moment try and get clear of the difficulties about comparison of prices of tenders to some extent and the necessity of basing Indian prices on English prices. The question resolves itself into this: how much money have we got first of all to spend, or how much do we think that it is worth to the country to establish the wagon building industry in India. Secondly what price would these people really want—not what it is going to cost them, because that is difficult to estimate accurately, but as an industry what price per wagon would enable them to keep going? That is what we really want. These are the two limits of the thing.

President.—The only criticism which I should like to make will be that there will be fluctuations in the costs of materials.

Mr. Hindley.—You will get over that if you use the English price as an index year after year.

Mr. Mather.—English price of wagons?

Mr. Hindley.—Why not? After all it is only a rough approximation What I want to get at is this: I think that you will find more and more difficulties if you analyse the price and attempt to evolve a formula from existing information. You have got all the different conditions of the world trade and everything else up against you. You cannot really forecast. Treating it purely as a business proposition, you have got to make a rough approximation. I suggest using the English tender price as the basis—by English tender I mean outside tenders—and fixing arbitrarily the bounty to be given in the first year for a certain number of wagons and running it down on a sliding scale until it diminishes to nothing after a period of years. Of course you will have the English tenders as the basis.

President.—Let us take the last year's September tender which was equivalent to Rs. 3,500 and the estimate given to the Board by the Standard Wagon Company which was Rs. 4,700, the difference being Rs. 1,200. Supposing that was taken as the amount of bounty to be given per wagon, two or three years from now it is not impossible that there might be a big industrial revival. Supposing then your lowest tender was Rs. 4,800, surely with the bounty given to the Indian manufacturer you would be paying a very, very high price for your wagons?

Mr. Hindley.—Of course you would, in fixing your figure, take into consideration the risks that you are running and the risks that he is running. There might be a very big reduction in prices at Home, but at the same time the Indian manufacturer might find his costs increasing out here.

President.—But as things stand the amount of bounty will have to be fixed at a time when prices are low.

Mr. Hindley.—I was going to make suggestions about that. If you would consider the principle, you might wait until we can give you this year's tender prices to assist you in seeing what trend of prices is going to be.

President.—I take it that the basis is that, if the bounty per wagon is going down from year to year, the number of wagons ordered in India will probably be going up from year to year.

Mr. Hindley.—The bounty will be on a downward scale, but the number of wagons that will be ordered in India will be on an increasing sliding scale.

President.—It would have to be, for this reason that you won't get economy of production, unless the Indian manufacturer increases his production.

Mr. Hindley.—Yes.

President.—It would not be impossible to devise a scheme on these lines by which the total liability of the Government of India on account of this would be limited to a certain sum and you could, by providing the same sum each year, buy a larger number of wagons.

Mr. Hindley.—I would suggest that it would be something better than that. Supposing for the sake of argument we started with 800 wagons in the first year with a bounty of Rs. 800 per wagon, we would increase that 800 up to say 1,500 over a period of years, say 10 years. Then on the other side the bounty would diminish from Rs. 800 to nothing in 10 years or five years if you like.

President.—On the basis of the present prices I think that it would be idle to recommend any scheme which would diminish the bounty to nothing in five years.

Mr. Hindley.—Then make it 10 years.

President.—That is another matter. We would be prepared to make a recommendation covering so long a period as that.

Mr. Hindley.—By that you can limit your liability to a total figure or to a maximum figure quite easily.

Mr. Ginwala.—You will have to assume that the prices of raw materials will remain more or less steady in that scheme.

Mr. Hindley.—Why?

Mr. Ginwala.—I mean, if you fix the amount of bounty per wagon.

Mr. Brayshay.—We could call for tenders each year for 3,000 wagons, of which 1,000 wagons are earmarked for India with a bounty of Rs. 800 per wagon to start with. When the tenders come—the tenders are world tenders—we get trade quotations from Belgium, America, England and other places. Then we can add the fixed bounty to the number ordered in India and the other 2,000 will be placed on competitive prices.

President.—You would leave it open to all the Indian firms to tender?

Mr. Hindley.—Yes. If they can compete with the world price, they can get the full 3,000.

Mr. Ginwala.—If that were done, some of them might say "we will take a bounty of 600." Who is to decide amongst them?

Mr. Brayshay.—If they are competing amongst themselves, we can do with a reduced bounty.

Mr. Hindley.—Starting with 800 wagons and with Rs. 800 bounty and in five years' time increasing that to 1,000 with Rs. 400 bounty—the bounty dropping from Rs. 800 to Rs. 400—purely as an assumption that would involve an expenditure of—

Rs. 6·4 lakhs in the first year.
Rs. 6·2 lakhs in the second year.
Rs. 5·4 lakhs in the third year.
Rs. 4·5 lakhs in the fourth year, and
Rs. 4 lakhs in the fifth year.

You have got a steadily diminishing figure. Thus you can limit your liability to a total sum, or if you like to a maximum sum.

President.—One sees no particular guarantee against either of the two opposite things that might happen; one is that in two years' time the firm might find that the bounty is hopelessly insufficient, and the other is that you might find the bounty grossly excessive owing to the rise in prices.

Mr. Hindley.—If you are prepared to say that it is worth India's while to spend Rs. 25 lakhs to establish the wagon building industry, you can

limit your figure now. What does it matter whether somebody made much or little out of that?

President.—One of the advantages of the scheme outlined in question 26 was this: that you were at any rate protected as regards fluctuations in the prices of materials against paying an excessive bounty.

Mr. Hindley.—I think that you can by this means limit the amount.

President.—It was assumed that by calling for public tenders for the raw material required, a fair price would be determined; on the other hand, the allowance for cost above materials would be less and less from year to year. On the other hand, a scheme which seems sound enough on paper, may turn out to be impossible in actual practice. I fully admit that there are difficulties in this case, but it was in order to meet these difficulties that the scheme was suggested.

Mr. Hindley.—Under your scheme you are limiting your liability to absolute necessity, but the suggestion that I have made is to limit the liability to a known figure.

Mr. Mather.—Would it perhaps affect your attitude towards the former proposal, especially the last few lines at the bottom of page 6—"each year an addition would be made to the cost of materials determined in the manner suggested above in order to cover all charges other than cost of materials, etc., etc."—if it were clearer that it does not mean that the amount of addition would be adjusted each year in accordance with the cost of fabrication which the wagon manufacturing companies had shown in the previous year, but that the additions would be fixed at the beginning of the five year period, the consequence being that the companies would not have an inducement to let their costs go high in order to get greater additions in the following year?

President.—If Rs. 1,600 were fixed as the fair allowance for costs above materials in the first year—Rs. 1,600 in the first year—it would drop automatically to Rs. 1,500 in the second year and so on. This reduction in the allowance is justifiable first because the Indian workmen would be becoming better trained and second as the number of wagons ordered increased the incidence of the overhead charges per wagon would go down.

Mr. Hindley.—There would be very great difficulty in getting at any kind of approximation of the correct figure.

Mr. Mather.—At least if a figure were fixed to the mutual satisfaction of the Railway Department and the Wagon building companies, that difficulty can be overcome. In actual operation it would leave the companies with every inducement to get their costs down which, as you have pointed out, is an extremely important factor.

Mr. Hindley.—May I point out that this argument is again based on the assumption that railways would bear the cost of this assistance?

Mr. Mather.—Let it come from other funds.

Mr. Hindley.—That is the difficulty. There is no means of separating what the bounty should be and how much the railways should bear.

Mr. Mather.—If there is or were to be a separate fund from which the bounty could be met, it would be possible to say that anything paid above the price of the lowest European tender must be met from that fund. I think that would be comparatively simple.

Mr. Hindley.—That practically comes to the same thing as a bounty with a lot of unnecessary work added.

Mr. Mather.—It provides automatically for any variation in the price of materials.

Mr. Hindley.—If you base the price on an English tender, it does apply to the price of materials, but then you are taking away the incentive of manufacturing more materials.

Mr. Mather.—Under this system, you will fix your bounty at an arbitrary figure.

Mr. Hindley.—I think that you would have to. What I would suggest, if I may, is that before thinking very much more about this scheme, I think that it would be advantageous to you to look at the prices that we shall probably have in the course of the next few days. I think that they might clear the situation.

Mr. Ginwala.—Of course they would, but to what extent?

President.—Before finally making up our minds we must know what those figures are. I do not know that we can go much further now.

About locomotives there are just two or three points about facts. Question 27—"The Peninsular Locomotive Company have given the following figures for the price of the Standard Bengal North Western 2-8-0 Locomotive and tender during the last three years:—

	£
1920	18,000
1921	16,500
1922	5,120

Are these figures correct?

Mr. Hindley.—That should be North Western Railway and not Bengal North Western.

President.—I am only reproducing what was said to us. Are these figures correct?

Mr. Hindley.—I don't think that we can agree to those figures. The only figure that we can trace at the moment is £13,633—the price of 2-8-0 engine on the North Western Railway in November 1920.

Mr. Mather.—That is the date of the tender?

Mr. Brayshay.—That is the date of the contract.

Mr. Hindley.—During 1920, the East Indian Railway and the Bombay, Baroda and Central India Railway purchased these engines at prices varying from £11,065 to £14,800.

In 1921 the East Indian Railway paid £7,945.

In 1922-23 the accepted general price was £5,120.

President.—That is practically the same as the figure given by the Locomotive Company?

Mr. Hindley.—Yes.

President.—Question 29 "What was the pre-war price of the same or similar locomotive?"

Mr. Hindley.—We have obtained from railways the prices that were actually paid:—

	£
1910	3,420
1911	3,700
1912	4,120
1913	4,690
1914	4,650
The average of these five years	4,116

Mr. Mather.—These are all f.o.b. prices?

Mr. Hindley.—Yes.

President.—They are all for the same locomotive?

Mr. Hindley.—Yes. Subsequent to 1913 or 1914 the engine has been improved by the super-heater which would increase the price by—I do not know how much. It may be a couple of hundred pounds.

President.—The third question about fact is as regards the offer made to the Locomotive Company, *viz.*, question No. 30. I shall read exactly what Mr. Reed said:

"May I refer to this correspondence. Mr. Chase of the Railway Boar[illegible] [illegible] utes of a meeting held with my predecessor at Delhi

on the 7th November 1923—on the subject of 2-8-0 locomotives—states: "The lowest price tendered was £5,120 f.o.b. English port." Mr. Chase offered the following:—'I offered £7,200 for the 2-8-0 locomotives f.o.b. English port price—£5,120 *plus* freight, erection, etc., bringing it to £5,760 and 25 per cent. on to the latter figure making a total of £7,200 per locomotive,' but the Company was not prepared to accept the offer."

Mr. Hindley.—May I say at once that that was not a firm offer on the part of the Railway Board. We had prolonged discussion with the Managing Director. The Company had submitted a tender in competition with other tenders for prices somewhere about three times the English prices, and in view of the circumstances of the concern, we entered into discussion with the Managing Director and the discussion of the Railway Board with the Managing Director proved entirely abortive. We then suggested that he should have an informal discussion with Mr. Chase, our Mechanical Engineer, in order to see if some kind of basis of an agreement could be arrived at. A great many suggestions were made on both sides. Finally, Mr. Chase made this calculation and said "would you be prepared to undertake construction on these conditions." It was not a firm business offer: it was only asking him in the course of conversation. The Managing Director said "No We would not have it." Mr. Chase reported the matter to the Railway Board and it ended there.

President.—That was not an offer which was before the Railway Board and approved by them?

Mr. Hindley.—No.

Mr. Ginwala.—Supposing the Managing Director had accepted this offer, what would the Railway Board have done? Apparently this man took that as an offer and must have sent a cable Home.

Mr. Hindley.—We did not know what he did, but he refused the offer, and we did not consider it further.

President.—Mr. Reed, who gave evidence, had no personal knowledge of the matter: he knew it from a copy of the minutes sent to him of what passed between his predecessor and the Board.

Mr. Hindley.—Mr. Chase made it perfectly clear to the Managing Director that any conclusions arrived at were subject to ratification by the Government of India and the Secretary of State. Mr. Hooper had previously laid down certain essential conditions and said that if they were not agreed to he would have nothing further to do with the business. It was in an endeavour to arrive at what he thought was possible that these figures were put forward.

President.—They were put forward in an effort to bring the parties together as a basis for discussion and not as a final offer?

Mr. Hindley.—Exactly.

President.—Can you give us any idea of the probable demand of the locomotives on the part of the Indian Railways for the next few years?

Mr. Hindley.—We have not got figures. The position is somewhat the same as regards wagons. We hope to arrive at better methods of working, and we do not think that our additions in the future will be as great as we anticipated, or as great as in the past. A very important factor in connection with that is the electrification which is coming forward on the Bombay side and will release a large number of locomotives which will be absorbed somewhere else. For the present year we have called for tenders for 60.

President.—That is the total requirements of all the Railways?

Mr. Hindley.—So far as we can say that is the total requirements.

Mr. Mather.—That includes the probable requirements of the Company-managed railways?

Mr. Hindley.—Yes. *

President.—All broad-gauge?

Mr. Hindley.—Yes.

Mr. Mather.—Are these of one type?

Mr. Hindley.—40 of one type and the other 20 of different types.

President.—Do you anticipate that the demand for locomotives would remain at about that figure for a year or two before it increases again?

Mr. Hindley.—It is difficult to say at present until we examine the thing more definitely. We expect to find during the course of examination each year prospects of variation, but I do not think it is likely to be very much more.

Mr. Ginwala.—In connection with this communiqué it is rather a difficult matter, because this Company alleges that the Government issued this communiqué in 1921 in which they stated that the requirements of Government would be 160 locomotive engines and 160 additional boilers during 1923 and 1924 and thereafter 400 locomotives and 400 additional boilers.

Mr. Hindley.—Is that the communiqué itself?

Mr. Ginwala.—That is a copy given to us by the Locomotive Company.

Mr. Hindley.—It contained an estimate of the requirements?

Mr. Ginwala.—Yes. What I read was the estimate contained there. Now the point I wish to draw your particular attention to is that these people are alleging that they started on this venture almost immediately after this communiqué was published. They based their calculation on the probable requirements of the Government and they invested Rs. 60 lakhs of their money in the concern. They say that Government have put them in a position from which they cannot get out without suffering a great loss.

Mr. Hindley.—That was only an estimate.

Mr. Ginwala.—If there was some little difference between estimate and actuals that may be negligible, but if there is such a big difference as between 400 and 60 these people may have reason to complain.

Mr. Hindley.—If they had laid out their works to produce 400 locomotives a year?

Mr. Ginwala.—Their contention is that they will be able to produce two to three hundred a year, but that if their demand is limited to 60 locomotives, that does affect their position greatly.

Mr. Hindley.—Of course it is extraordinarily difficult to make an accurate estimate, especially when conditions are changing.

Mr. Ginwala.—This allegation has been made: it is better that you should know what these people are saying.

President.—After all, this communiqué, so to speak, is the basis of the whole thing. That is the first pronouncement of the Government of India about the building of locomotives in India, and any manufacturer wishing to build locomotives in India would wish to make this the starting point. Supposing the Government of India demand dropped from 400 to 200 in a single year with a prospect of going up again, it is not of particular importance, but when it drops from 400 to 60 there is a bit of a hiatus.

Mr. Hindley.—I was not Chief Commissioner at that time.

Mr. Ginwala.—That puts the Government rather in a delicate position.

Mr. Hindley.—That estimate was certainly an optimistic one, but I think it is extraordinarily difficult for any one to foresee the changes taking place with regard to electrification and so on. If the Company said they had actually made their arrangements on the basis of the full quantity, I think your contention might have something in it, but I do not think they are equipped for anything like 400 a year.

* It was subsequently stated that this did not include requirements for the B. N. Railway.

Mr. Mather.—Their contention is that they have erected, built and purchased plant and machinery for an ultimate production of 200.

Mr. Hindley.—You should always remember that there was no guarantee given to them that they would get orders.

Mr. Ginwala.—They do not say that at all. They say that they would not have thought of starting these locomotive works in this country but for the communiqué, and that they started almost immediately after the communiqué was published. This latter is a fact I think.

Mr. Hindley.—That is not quite correct I think. The communiqué came out after we had had communications from Mr. Hooper.

Mr. Ginwala.—The evidence given before us is this: the communiqué was issued some time in September and they registered the company in December 1921. They say they would not have registered but for this communiqué.

Mr. Hindley.—In February 1921 Mr. Hooper wrote a letter and in that remarked "We have decided to commence building locomotives to a similar extent to wagons at Jamshedpur from materials supplied by Tatas." He says "We have decided." He says "We may have to import boilers and for a time, springs and wheels: otherwise we think we shall be independent of imported goods. We propose starting with a capital of Rs. 60 lakhs and things would move quickly." That was in February 1921. "We are not thinking of asking for any guarantee" he says in that letter "but what I would like to know would be whether the Board when satisfied with the ability of the new Company to construct locomotives in India would encourage them according to what in my view would be the deserts of the enterprise." That is the basis on which Mr. Hooper started the works at Jamshedpur.

President.—It would be rather important if you could let us have a copy of that letter.

Mr. Hindley.—It is a D.O. letter from Mr. Hooper: we can give you extracts from that, I think.*

Mr. Ginwala.—It has rather got a bearing on this question.

President.—I think it is important that we should have it. Can you give us the exact date of the communiqué?

Mr. Hindley.—30th September to 1st October 1921.

Mr. Ginwala.—Will the Railway Board be prepared to consider the conversation which Mr. Chase had with the Peninsular Locomotive people and say whether it would be possible for the Railway Board to make an offer on that same basis now?

Mr. Hindley.—We are not prepared to give any undertaking to negotiate on that basis. We are waiting for tenders.

President.—May I interject? When will tenders for locomotives come in?

Mr. Hindley.—27th February.

Mr. Ginwala.—In the case of the locomotives we have got more or less the same considerations as the wagons, but here there is a striking difference between the pre-war price of locomotives and the post-war prices. There is an increase of 25 per cent. here—from £4,500 to £5,100—whereas in the case of wagons it is only 10 per cent.

Mr. Hindley.—Yes.

Mr. Ginwala.—There need not be any necessary connection but this is also steel. In the one case you have got a rise of 10 per cent. and in the other 25 per cent.

Mr. Hindley.—These are of course competition prices and lowest tenders. It is very difficult to ascertain how the percentage increases should be based on general considerations. There is a very wide difference between

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* Not printed.

the maximum and minimum and the highest and lowest tenders. You should take the average tender to calculate the increase in cost.

Mr. Ginwala.—There must be some special reasons. In the case of wagons the increase was only 10 per cent. and in the case of locomotives the increase was 25 per cent.

Mr. Hindley.—Of course there is a great difference in the class of work and so on.

Mr. Ginwala.—In the case of locomotives there is a duty of only 2½ per cent.

Mr. Hindley.—Yes.

Mr. Ginwala.—If these people manufacture locomotives in this country, they have to import materials for some time on which they will be paying 10 per cent. duty. If they buy materials locally also, that duty will have to be included in the price whatever the duty may be. If you are to compare the English prices with the Indian prices, you will put on a duty of 2½ per cent. only on the English locomotives whereas these people will be paying 10 per cent. on all materials. Will that comparison be a good comparison?

Mr. Hindley.—The point has not been examined closely but I am not sure the Stores rules would preclude us from taking it into consideration.

Mr. Ginwala.—It seems that if you carry out that Stores rule literally there may be a different construction.

President.—Owing to the difference in the rates of duty, the duty on the raw material would be a good deal higher than the duty on the finished articles.

Mr. Hindley.—I am not sure of the correct interpretation of the Stores rules. We will have to have that looked into.

Mr. Ginwala.—You will be considering tenders and prices and this point will arise.

Mr. Hindley.—Yes.

Oral evidence of Mr. C. D. M. HINDLEY, Chief Commissioner of Railways and Messrs. M. W. BRAYSHAY and A. J. CHASE, O.B.E., recorded at Delhi on the 28th January 1924.

President.—I think you told us on Saturday that the requirements for locomotives at present is about 60 and that there is not very much prospect of a rapid increase for two or three years to come. Well, what is practicable on an annual demand of 300 or 400 locomotives may not be practicable at all on the basis of something less than 100. I think we have got to face the question of what is practicable.

Mr. Hindley.—I would like to have this evidence taken *in camera.*

President.—Then we will postpone the matter for the present. Apart from the big general question I don't think I have anything further to ask about locomotives.

Mr. Ginwala.—In the present year's requirements are there many types of locomotives required?

Mr. Hindley.—40 of one type and the balance is made up of several types.

Mr. Ginwala.—Is it a new type or a repetition of old types.

Mr. Brayshay.—Repetition of old types—I mean existing types.

Mr. Ginwala.—We asked you about your views on wagons in case some assistance to the industry became necessary and you gave us your opinion on Saturday. Now I wish to ascertain your views on locomotives. Supposing we found that the locomotive industry was an essential industry—supposing the communiqué represents the policy of the Government of India—and that it could not go on without some assistance in the beginning, in what form would you suggest assistance in the case of locomotives?

Mr. Hindley.—I make the same stipulation that I made with regard to wagons, that is to say, clearing away any idea that the railways should be made to pay more for their locomotives. I have not really considered any practical scheme for this, but I think you might find some solution on the same lines as in the case of wagons.

Mr. Ginwala.—That is to say, some form of bounty should be given to make up any reasonable difference between the two?

Mr. Hindley.—The reason why I suggest that you might find a solution in that direction is because by that means you might make it easier for the State Railways as well as the Company Railways to buy their locomotives in this country. That also applies to the suggestion with regard to wagons. It is one of the essential principles which holds good in my mind that the railways as a whole should not be made to pay more.

President.—That is to say, if you are asked to administer the Railways as a business proposition, it is not fair to your administration that you should be asked to be the agency for subsidizing industries. The two things are incompatible from your point of view?

Mr. Hindley.—Yes.

Mr. Ginwala.—Between the case of locomotives and that of the wagon industry there is a difference in this that it has been stated to us that the value of the raw material used in a locomotive forms 40 per cent. roughly of the total value of the locomotive. It takes about 100 tons of all kinds of steel and iron castings and that is equivalent to about 40 per cent. of the total value of a locomotive.

Mr. Chase.—I should put it higher.

Mr. Ginwala.—If so, the difficulty becomes still greater. They have got to pay 10 per cent. duty on most of these whereas the locomotive itself carries $2\frac{1}{2}$ per cent., and therefore to that extent they are at a disadvantage. I suppose in comparing prices of Indian and foreign locomotives you would hardly be at liberty to make allowance for that under the present rules, is it not so?

Mr. Hindley.—Yes.

Mr. Ginwala.—You would not allow 10 per cent. duty on 40 per cent. of the raw materials?

Mr. Hindley.—I don't think so.

Mr. Ginwala.—I want to know because we have been repeatedly told about this by most of these people.

Mr. Hindley.—I think the present rules preclude our doing that. I am not quite certain about that.

Mr. Ginwala.—If you were able to tell us that in comparing the prices—

Mr. Hindley.—We are still up against the general principle.

Mr. Ginwala.—You were able to take this factor into account.

Mr. Hindley.—I am not quite clear on what basis you are asking this question. Are you not rather getting away from the essential point?

President.—It really points to an illogicality in the tariff system. It may happen under the existing tariff that you pay more in duty to Government in importing the raw materials to make a particular machine than you would pay if you had imported the machine manufactured. What Mr. Ginwala is really getting at is, is there any means of rectifying that illogicality? In so far as it exists, this anomaly does adversely affect the establishment of certain industries in India.

Mr. Hindley.—I am afraid I must have this further examined with regard to the exact meaning of the Stores rules. The rule is "Customs duty, as shown in the Tariff to be applicable to the article in question to be calculated on its cost *plus* the additional charges" in order to arrive at the market value.

President.—I personally do not see how within the four corners of that rule you have any powers to rectify it. Indeed it would be almost necessary to work the other way round and leave the duty out of account in the case of the imported article, and to deduct from the Indian manufactured article the customs duty presumed to have been paid on the raw material.

Mr. Hindley.—From your point of view the anomaly consists in having a lower rate of duty on the raw materials than on the finished article.

Mr. Ginwala.—That is the point. These people say that the comparison does not become real.

President.—I don't think there can be a better case. The moment you come to the question of building locomotives in India you get a clear case at once.

Mr. Hindley.—If I may say so, you are up against this principle. A locomotive is the most elaborate form of finished article, except perhaps a motor car, which is the most elaborate article produced by modern civilization, and that is of course where the anomaly stands out most and that is a very important point in considering the question of locomotives.

President.—Is it more so in locomotives than in anything else?

Mr. Hindley.—Yes.

President.—It is only because up to date India has made little progress in the manufacture of machinery that the anomaly has not come to notice much more than it has done. You don't feel that at present you can help us very much about that?

Mr. Hindley.—The rule is possibly capable of a wider interpretation. My superficial view of that would be that the intention was that the customs duty should be applied to the whole article.

Mr. Ginwala.—That is what we felt too. If you look at the communiqué, clause (*d*) "Tenderers in India must satisfy Government in the earlier years that an appreciable part of the manufacturing will be done in India. This condition may be expected to become gradually more stringent, until eventually tenderers, in order to be successful, will be required to show that they can carry out in their works in India all processes usually carried out in locomotive works in England." They say—I am speaking of the locomotive industry specially—if the condition is enforced during the initial stages when labour is under training, for instance, they feel that they are at a disadvantage.

Mr. Hindley.—It is worded in such a way as to be capable of very wide interpretation.

Mr. Ginwala.—No doubt. I am just putting to you their aspect of the case. It is not our opinion at all.

Mr. Hindley.—You must have some such stipulation, otherwise parts might be brought out here from abroad; and presumably the essential scheme is that the industry should be established in India and that is only possible by stipulating that an appreciable part of the manufacturing should be done in India. A locomotive erection industry can never flourish in India in competition with Railway workshops, where all the facilities are already in existence, or in the face of importation of whole locomotives.

Mr. Ginwala.—In that case it does amount to this that, if the country is very keen on promoting this industry, it must be prepared to pay for it.

Mr. Hindley.—Quite.

President.—You are acquainted with the plans of the Peninsular Locomotive Company, the extent to which they propose building locomotives in India. Would you regard that as a sufficient compliance with that condition?

Mr. Hindley.—They are capable of making a start with a substantial amount of manufacturing in the country.

Mr. Mather.—Would you interpret that part of the communiqué saying "in the early stages, etc.," to mean that the Locomotive Company must, for example, get its iron castings and steel castings made in India. If they were able to show that in the early stages the cost of the necessary iron and steel castings made in India would be much higher than similar castings imported, I take it you would be free to come to some reasonable decision as to whether it is really obligatory on them to have them made in India?

Mr. Hindley.—What we had in mind was that we would require them to state in their tender what amount of manufacture they were intending to do in the country and, taking all the facts into consideration, we should decide whether it complied generally with the rules. We should not lay down beforehand what portion should be done in this country and what not.

Mr. Mather.—In that case, if they showed that at a comparatively small extra cost they could get some of the iron and steel castings made in India and that they were prepared to do that, would you take that into consideration in coming to a decision whether their price was a reasonable one?

Mr. Hindley.—There is only one criterion under which we are going to work the railways and that is the best value for our money.

President.—Under the Stores rules you have no power to decide?

Mr. Hindley.—No.

Mr. Ginwala.—With regard to the Stores Department—of course, we are only considering the question of railway materials—do you make use of the stores department or do you make your own purchases?—I mean wagons and locomotives, rails and things like that?

Mr. Hindley.—We only make use of them at present for textiles, paints, oils and so on.

Mr. Ginwala.—With regard to underframes and things like that do you purchase them direct?

Mr. Hindley.—Yes. The Stores Department do the inspection.

Mr. Ginwala.—That is to say, you place an order and a copy of the order is supplied to the Stores Department?

Mr. Hindley.—We make use of their analysing staff and inspecting staff, but so far as the purchases are concerned we make all our own purchases.

Mr. Mather.—In the case of underframes do you purchase for the three State Railways through the Railway Board's office, or does each railway go into the market for its requirements?

Mr. Hindley.—We review the tenders generally, but they place the orders actually.

Mr. Mather.—You may have each of the State Railways calling for separate tenders for underframes?

Mr. Hindley.—We arrange as far as possible that all tenders are called for simultaneously and they are considered together by us, but they are called for separately.

Mr. Ginwala.—With regard to the Company Railways have you got any control over their purchases?

Mr. Hindley.—We have general control but no direct control. Powers have been delegated by the Secretary of State to the Companies to purchase all their stores.

Mr. Ginwala.—They might enter into competition against you so to say? Supposing you were out in the market for wagons and they were out at the same time, it might be that they might pay a higher price to secure their own requirements?

Mr. Hindley.—You mean it might detrimentally affect the price?

Mr. Ginwala.—Yes.

Mr. Hindley.—The number of wagons required by India as compared with the production is so small that competition between the purchasers would not affect the price.

Mr. Ginwala.—Supposing this Board made certain recommendations on the question of railway materials, which were accepted by the Railway Board, will the latter have power to compel the Railway Companies to carry out their recommendation?

Mr. Hindley.—I think not, as matters stand at present. Under the contracts with the Companies they are bound to work economically and efficiently, and we should not be able to force them. We are up against the spirit of the contract, at any rate if we insist upon their doing anything against the contract. In any case, the whole question of delegation of powers to the Companies by the Secretary of State comes in.

Mr. Ginwala.—I was thinking of a case like this: supposing we recommended that Indian manufacturers should have a bounty of so many rupees upon an article and if, even then, some private railways say: "It does not matter, we shall purchase it at Home," can the Railway Board say "No, you must buy it here."

Mr. Hindley.—I don't think we have any power. The Companies, however, have always shown a disposition to fall into line with any policy of that sort.

President.—If under the influence of the bounty the Indian price became distinctly lower than the imported price, and the Companies refused to buy the Indian article the question of economy might arise.

Mr. Ginwala.—Supposing the bounty was almost nearly equivalent to making up the difference, in that case the railways might say they will purchase the articles at Home, and that is one of the things that has been placed before us that even when an article can be purchased in this country at more or less the same price, orders are placed at Home.

Mr. Hindley.—I think we are up against a very difficult practical question and that is the question of quality. There would always be, and there is some reason for it, a feeling that wagons purchased in the country are not of the same quality as wagons produced at Home. There are two reasons for this, one is that the inspection of materials at Home is very very carefully done. Inspection of all materials is done by an expert inspecting staff. Out here inspection is undertaken but it does not satisfy everyone. It is only in its beginning. The Stores Department are producing a very fine inspecting staff but they are only in their beginning. The inspection at Home is very accurate and careful, and when people buy at Home they are perfectly certain of getting good stuff. Out here the workmanship for sometime to come cannot be of the same standard as the English goods, and there would always be a feeling that they would not get articles in the country as good as they could get from Home.

Mr. Ginwala.—Supposing you placed an order for wagons in this country and the manufacturer here says he will purchase the important raw materials at Home. Will your department then be in a position to inspect these raw materials at Home before they arrive here?

Mr. Hindley.—In the case of imported raw materials inspection will be done at Home in all cases.

Mr. Ginwala.—When you place an order for wagons, for instance, with an Indian company they naturally have to import many raw materials. Will you then insist upon these raw materials being inspected at Home before they are despatched?

Mr. Hindley.—Yes. Where it is necessary that inspection shall be made before or during manufacture in England, then it must be made in England and we make arrangements for that.

Mr. Ginwala.—In that case the difficulty about inspecting the materials is got over so far as the imported raw material is concerned. With regard to the local raw material, I think the Stores Department inspecting officers carry that out?

Mr. Hindley.—Yes. But there again we are up against the standard. The workmanship is not the same as at Home.

Mr. Ginwala.—I was talking of the raw materials for the moment. I mean the private companies may safeguard themselves against raw materials by having them inspected both at Home and here before they are actually used. With regard to workmanship it must remain a matter of opinion.

President.—The question the Wagon Companies raised was about wrought iron which, although it had been inspected in England (not through the Stores Department) and passed, was turned down out here by the inspector of local manufactures. It hung them up very badly.

Mr. Hindley.—Perhaps they were inspected by somebody of their own. Our conditions are that our consulting engineers are the people who should inspect.

President.—You mean the conditions have been changed since that took place?

Mr. Hindley.—We have changed the conditions to get over that difficulty.

President.—So that there would not be double inspection in the case of the wrought iron in future. On this occasion they were inspected twice, once in England and passed, and again in India and refused. In future orders for wagons placed in India, would arrangement be made to inspect the wrought iron at Home before it came out?

Mr. Hindley.—It would be, as a matter of fact.

President.—Is it in the case of the wrought iron used in a wagon necessary that it should be inspected before or during manufacture?

Mr. Hindley.—I think it is, as a result of that experience.

Mr. Mather.—Does it not rather bring us to this, that the prejudice that you mention as existing among a good many consuming departments

that the material is better inspected in England is not always justified? In this particular case the material was inspected by Lloyds who have an inspecting organization with a very high reputation. I do not want to attempt any judgment, but the final result was that the makers of the materials and the builders of wagons did admit that materials had passed inspection which was not up to the standard and not according to the specification, so that although you may be correct in saying that there is a feeling on the part of consuming departments that the work is better done in England, I think it would be very unfortunate if the impression got abroad that any support was given to that prejudice for which there are no sufficient grounds. I speak with knowledge of both countries when I say that the prejudice is not well founded.

Mr. Hindley.—I quite agree.

Mr. Ginwala.—Supposing this raw material is inspected at Home, when it arrives here, is it further inspected by the Stores Department?

Mr. Brayshay.—Yes.

Mr. Ginwala.—But in the case of the finished article—that is the point that these people are trying to make—once the inspecting officer has passed it, there is no further examination.

Mr. Brayshay.—Do you mean that the wagon is not inspected at Home?

Mr. Ginwala.—All the raw materials are inspected at Home before wagons are manufactured.

Mr. Brayshay.—The whole process of manufacture is inspected by our inspectors at Home.

Mr. Ginwala.—But the point is this. Supposing that a raw material that comes to this country after inspection at Home is inspected and rejected by the Stores Department, the Indian manufacturers then say that, if they had manufactured the wagons at Home using the same materials, there would have been no further inspection with regard to the raw material.

Mr. Hindley.—The inspection out here is necessary because the inspecting officer is responsible for seeing that the contract is carried out. Something may have been changed in coming out, and he has got to see that everything is all right. In the case of materials intended to be imported from outside India inspection in the country of supply is provided for by clause 2 of the contract conditions.

The inspecting officer makes the inspection at Home and sends a copy of the report to the inspecting officer out here. That is the link between the two.

Mr. Ginwala.—I take it that ordinarily the inspecting officer here would accept the certificate given by the inspecting officer at Home?

Mr. Hindley.—Yes.

Mr. Mather.—Previously there has not been this direct connection.

Mr. Ginwala.—With regard to simultaneous tenders for railway materials at Home and in India, I want to ask a few questions as to the procedure. You first of all advertise, I take it, both abroad and here?

Mr. Hindley.—Yes.

Mr. Ginwala.—Then the tenders from abroad are received in London by the Director General of Stores?

Mr. Hindley.—That is the present procedure.

Mr. Ginwala.—And your Department here receives tenders at the same time?

Mr. Hindley.—Yes.

Mr. Ginwala.—Now is it the practice that these tenders both abroad and here are opened in the presence of the tenderers?

Mr. Hindley.—The practice in recent years has been that the tenderers are invited to be present when the tenders are opened.

Mr. Ginwala.—Does it merely apply to the opening of tenders or does it also apply to communicating them?

Mr. Hindley.—So far, we have not communicated anything except the names of the tenderers to them. Is this relevant, Mr. President? I have nothing to hide. I will tell you everything, but I want to know whether this is relevant.

President.—We would like to understand just what the procedure is.

Mr. Hindley.—As a matter of fact up to the present we have only communicated the names of the tenderers. We are now considering the question of revising the procedure but we have not arrived at any definite decision on the matter. What we want to do is to give as much publicity as possible, and up to the present we have been bound by our custom and by what the tenderers expect. We will consider next time whether the prices and the names could be disclosed. It is a matter that requires further consideration. That is our intention, anyhow, at present.

Mr. Ginwala.—I understand that some of the Government Departments as well as public bodies, after they have opened the tenders, throw them open to the inspection of any one who cares to see.

Mr. Hindley.—It is a very difficult question to deal with. There are tenders and tenders. In the case of a complicated thing like locomotives, there are all kinds of considerations to be taken into account. In the case of wagons there are very often conditions which affect the question of price and the date of delivery, and it becomes a difficult practical matter to read out all the details and everything attached to every tender. It might affect the way in which tenderers put in their tenders. In the case of many articles—I am speaking of stores generally and not of wagons or locomotives in particular—it becomes a difficult matter to give even the smallest amount of publicity owing to the time taken in reading them out. It takes several days to read the prices and the names of those who have tendered. In the case of some things hundreds and hundreds of tenders are received.

Mr. Ginwala.—What I mean to say is this: so far as your further consideration of the tenders is concerned, would that necessarily be interfered with by publicity at the beginning? You can consider the tenders as you like afterwards.

Mr. Hindley.—I am only dealing with the practical difficulty of intimating to the public in general what these tenders are.

President.—You mean that if you gave out merely the prices without the conditions, it would not be giving accurate information: it would be misleading?

Mr. Hindley.—Yes.

Mr. Ginwala.—Would it be possible to give publicity to them later?

Mr. Hindley.—Who will be interested in that?

Mr. Ginwala.—Rivals.

Mr. Hindley.—Perhaps you will be giving away the internal arrangements of the firms who are competing. That has to be taken into consideration.

Mr. Ginwala.—That question arises practically in the case of other purchases. I mean to say that if I tendered for certain things, I should like to know how my rivals were doing and how they were able to bring down their prices. That will be to the advantage of the purchasing Departments.

Mr. Brayshay.—When you call for tenders, some firms ask for an alteration of the terms of payment and state in support of that their financial position. You cannot disclose all that. It is a practical point that does arise in such things as wagons.

Mr. Ginwala.—The question of payment is different. There, financial considerations are involved. I am merely talking of the price.

Mr. Brayshay.—It affects the price. In cases like wagons, tender conditions are subject to alteration by the tenderers.

Mr. Hindley.—Here is a concrete case. "If the following conditions are agreed to as regards payment, our price will be so and so." There is so much complication that it becomes a matter of practical difficulty to making the whole of that public, and it would be questionable whether it would be fair to make it public. Further you are up against this question. In the case of wagons, you are only dealing with four firms, but where you are dealing with many, if you are to disclose all that kind of information to other tenderers, you would antagonise a large section of the trade and you would be up against a block. I do not know whether it is a workable thing. That is one of the difficulties. That is the reason why in England Government Departments do not disclose anything. It would very likely antagonise a whole section of the producing firms with the result that prices would go up. Although in England such matters are dealt with in a very liberal and open way, they refuse always to make the tenders public. Here in India it is perhaps a simpler problem. We have only three or four firms. It is very easy to say "we will give publicity," but when we come to the practical question of doing it, it becomes very difficult.

Mr. Ginwala.—Take the case of big Municipal Corporations who purchase on a considerable scale. There could be no question of any tenders not being published afterwards.

Mr. Hindley.—Do they publish any unsuccessful tenders?

Mr. Ginwala.—They do not make any secret of them.

Mr. Hindley.—It is not really so much a question of secrecy. It is a question of how the firms would view it.

Mr. Ginwala.—We really want to understand the position. Objections have been raised to these things. I am drawing your attention to them, so that we might hear what you have got to say.

Mr. Hindley.—The policy of the Government of India is to give full publicity; so far we have not been able to carry this out. It affects the way in which people put up their tenders. But we have agreed to the policy of giving full publicity wherever possible and as far as possible.

Mr. Ginwala.—Has that been laid down in the rules?

Mr. Hindley.—Recently the policy has been agreed to with the Stores Department.

Mr. Ginwala.—As regards payments: take, for instance, rails. Are payments made as rails are delivered?

Mr. Hindley.—Do you refer to the Tata Company?

Mr. Ginwala.—Yes.

Mr. Hindley.—Payments are made when the materials are received by the receiving officer.

President.—What we were told by the Company was that they were paid 90 per cent. on the production of railway receipts and the balance later on.

Mr. Hindley.—That is right. They are paid 90 per cent. on the final passing of the inspecting officer and on the railway receipts.

President.—At Jamshedpur?

Mr. Hindley.—Yes.

President.—Inspection is always made before goods are railed?

Mr. Ginwala.—Is there much delay in the payment?

Mr. Hindley.—There were complaints made about the delay, but we understand that we had met them. I think that they are satisfied with regard to the delay. Do you mean the delay in the payment of 90 per cent.?

Mr. Ginwala.—Yes.

Mr. Hindley.—I have not got the figures here. Allowing for the time taken by letters, there has not been any delay recently.

Mr. Ginwala.—Some delay is inevitable.

Mr. Hindley.—Exactly. We have taken every possible precaution to make the payments at the earliest possible moment.

Mr. Ginwala.—I suppose that that would apply to your other purchases of railway materials, subject to inspection.

Mr. Hindley.—No. It is part of this particular contract. It does not apply universally to everything.

Mr. Ginwala.—There is no undue delay in complying with the conditions laid down in your contracts?

Mr. Hindley.—So far as we can arrange it, there is no undue delay: at least there is no intentional delay.

Mr. Kale.—From the point of view of the railways, do you consider the establishment of a locomotive industry as desirable?

Mr. Hindley.—I should like to be heard *in camera* about that.

President.—We can do that, but in the communiqué issued in 1921 the Government of India considered that it was desirable and you told us on Saturday that that still represented the general policy of the Government of India. We cannot of course ask you whether you agree to that or not.

Mr. Kale.—I wanted to know from the point of view of the railways themselves—in their own interests—whether they would consider such an industry as desirable.

Mr. Hindley.—What is my position now?

President.—I don't think that we are justified in pressing him to give a reply. He cannot say that the policy of the Government of India is wrong.

Mr. Kale.—What do you think would be an economic unit for any locomotive industry that should be started? In each and every industry, there is something like an economic unit. Unless it is of a particular size, unless it produces so many locomotives, for instance, it won't be able to produce economically.

Mr. Hindley.—It is entirely a matter of opinion and I am really not an expert in that particular matter. I don't know what you mean by economical.

President.—Professor Kale wants to know as things stand at present roughly what is the minimum outturn that a firm should have in order to get reasonably cheap production. There is room for a great deal of difference of opinion? but it will be admitted clearly that 30 or 35 would not be enough for economical production. There would not be room for repetition works.

Mr. Hindley.—It is very difficult to say. It is impossible to give a figure which will be of practical use. In a country where there are no allied industries, it is very difficult to say.

Mr. Kale.—Supposing a locomotive industry is started with a capacity of 50 locomotives a year, it would be hopeless for the industry to produce a locomotive at a reasonable price. Whatever assistance Government may desire to extend to that industry will be so much money wasted unless in the course of five or ten years they come up to the level of their foreign rivals. Unless and until they are able to produce, say 100, they won't be able, under any circumstances, to make an approach to the prices of foreign manufacturers.

Mr. Hindley.—Yes.

Mr. Kale.—I want to know whether you have got any idea in this matter.

Mr. Hindley.—I agree with the principle, but it is very difficult to fix a figure which one could say could be produced economically. 50 would be below the economical unit, I think.

President.—Have you not had any information as to the outturn of big locomotive builders in England?

Mr. Hindley.—I have not any information here.

President.—Mr. Reed of the Peninsular Locomotive Company told us that 200 a year or 3 to 4 a week would be an economical outturn.

Mr. Hindley.—The conditions in which firms in England work are very different. They can always buy a great deal of the articles required in their work. People are making all these things all round them. That is the reason why I say it is very difficult to fix a number. I certainly think that 50 is not an economical proposition.

Mr. Kale.—It has been represented to us that the locomotive industry is such unique industry that it includes a large variety of things which make for the development of special skill and so on and therefore it is an industry of primary importance to the country. That is what has been placed before us and the inference was drawn that, if Government want to encourage any industry, it is the locomotive industry that they ought to take up first. I do not know what allowance we should make in this presentation of the case. Do you think that such a claim can be made for the locomotive industry?

Mr. Hindley.—The logic of that claim fails to impress me. I think it does you too. That is to say, it can hardly be called an industry of primary importance. It is an industry which requires an enormous amount of evolution to get to the point of economic production. The primary industry, I take it, would be a simple industry which would involve simple methods and a low measure of skill. There again I am up against the difficulty of understanding some of your terms.

Mr. Kale.—Mr. Reed stated that it involved a large variety of skill, so that if it was encouraged by Government, they would be encouraging a number of other industries automatically That was what he intended to convey.

Mr. Hindley.—I understand.

President.—There would be a great advantage from the point of view of technical education also. The Company went so far as to say "To every mechanical engineer, as well as to many civil engineers the most important part of their education is that practical experience which can only be obtained in locomotive building works."

Mr. Chase.—I believe it. Thousands would not.

Mr. Kale.—Do you think that it is an exaggerated view?

Mr. Hindley—I would not say that Where the locomotive industry is established, it gives stimulus to other industries; also to technical education and training: I quite agree with that.

President.—Question 34—"What is the probable total demand of the Indian railways for rails and fish plates on the average during the next five years? Are the requirements of the next two years likely to be above or below the average?"

Mr. Hindley.—Here again as in the case of wagons, we are not in a position to give any definite quantities required during the five years. We can give an estimate of the annual average requirements. We put these figures roughly at 25,000 tons for the three State Railways; 25,000 tons for the East Indian and the Great Indian Peninsula Railways and 50,000 for other railways.

President.—That includes both rails and fish plates?

Mr. Hindley.—Yes, there is some difficulty in making any kind of estimate because we have to consider the possibility of new construction which might affect the figures. In fact that is for ordinary open line works.

President.—This estimate of 100,000 tons for the whole of India would be exceeded if new construction were started on any considerable scale?

Mr. Hindley.—That is generally correct.

President.—That is a good deal below the figures of consumption which the Government of India once thought would probably hold good three or four years, is it not?

Mr. Hindley.—I forgot what figures were mentioned.

President.—I think that, when the Tata Iron and Steel Company laid down their new plant, they got figures from the Government of India. I think that the capacity of their plant was designed to a certain extent on the basis of the figures given to them. My impression is that it was something like 200,000 tons a year.

Mr. Hindley.—I do not know.

President.—Everybody was then thinking on very large figures.

Mr. Hindley.—Including Tatas! I do not remember what figures were given.

President.—I cannot give you any precise details about that. It must have been probably as far back as 1916-17. At that period, the general lines of their scheme were settled.

Mr. Ginwala.—What were your requirements before? Were they bigger?

Mr. Hindley.—For the last three or four years, Tata's contract with railways was for about 80,000 tons a year of which 20,000 to 40,000 tons was for State Railways. So far, they have not been able to produce more than 65,000 to 75,000 tons.

Mr. Ginwala.—Was the total demand of the railways much bigger?

Mr. Hindley.—I should not think so.

Mr. Mather.—In 1922-23, the imports of rails and fishplates were practically 100,000 tons. In that same year Tatas made only 60,000 tons. In 1913-14 the imports were over 150,000 tons, but Tata's output was then quite small.

Mr. Brayshay.—Tramways and industrial concerns import quite a lot.

Mr. Mather.—They were omitted from these figures.

Mr. Hindley.—The figures that I gave you are for three State Railways and other railways which comprise of 8 or 9 leading railways.

Mr. Mather.—One indication would be this: that the seven years' contract between the Railway Board and Tata's calls for a possible demand of 300,000 tons of rails in seven years, against which you have now estimated that the average annual requirements of the three State Railways would be only about 25,000 tons. Does the figure that you have given us include anything for new construction?

Mr. Hindley.—I think that there is every possibility of doing a certain amount of construction. There is almost a certainty of it in the next five years. We have in fact already commenced in Southern India. Supposing we did 200 miles in the way of new construction—which is not a very high figure—by State agency, we would require another 30,000 tons.

President.—It comes to this. A hundred miles of new construction would require 15,000 tons. May we take this as correct?

Mr. Hindley.—That is for broad-gauge construction.

Mr. Ginwala.—Are these 75 lb. rails?

Mr. Hindley.—These are 90 lb. rails.

President.—That gives the kind of basis on which we can work. At any rate you can put it hypothetically, giving the limits within which the consumption might increase.

Mr. Hindley.—Of course we are very anxious not to mislead any one by giving a high estimate. Being an optimist I think the consumption would be a good deal greater.

President.—For the immediate future—next year and the year after that—can you give us any figure for that?

Mr. Hindley.—We are only taking 17,500 for next year. We have no details of the programmes of the other railways at present: we have not finally settled with them what amount of relaying and replacement they will do.

President.—Can you give it within limits of 10,000 tons one way or the other?

Mr. Hindley.—We are still up against financial difficulties. We cannot commit ourselves to anything after 1st April. It is for the Assembly to decide.

President.—In connection with any proposal we make about rails we want to have some idea of what it is going to mean.

Mr. Hindley.—If we have a stable financial policy we can tell you, of course, at once how much we want for the next five years, but so long as you are at the mercy of the Assembly in the matter of expenditure it is impossible to say.

President.—At any rate the indications are that the demand for next year might perhaps be below 100,000 tons?

Mr. Hindley.—Not very much below that. We have taken every factor into consideration and I think it will not be below that.

President.—Question 35 is "On what basis was the sum of Rs. 156 a ton fixed as the price to be paid to the Tata Iron and Steel Company for rails during the last two or three years?"

Mr. Hindley.—The contract rate is for Rs 130 and various representations were made by Tatas in the course of 1922 and it was finally decided as an agreed-upon figure to give them Rs. 156. The figure was arrived at by means of calculations, but it was not intended to represent any definite figure but only a business arrangement between Tatas and the Railways after mutual consultation The origin of that particular figure was the c.i.f. rate of English rails including duty at that time.

President.—Once having been fixed it remains fixed?

Mr. Hindley.—It remained fixed for that year and strong representations were made after that year and after a similar process the same price was fixed somewhat reluctantly.

President.—Having once fixed it roughly on the basis of c.i.f. price *plus* duty, thereafter it was continued by a renewal of the arrangement and no attempt to recalculate the amount was made?

Mr. Hindley.—We would not say that no attempt was made, but it was decided to go on at the same figure after taking all the factors into consideration.

President.—Finally question 36 is "The Tata Iron and Steel Company have claimed (*vide* pp. 71—75 of their printed representation) that large sums of money were saved to Government during the years 1920-21 and 1921-22 by the existence of these rail contracts Do the Railway Board consider that the claim is well founded and that the c.i.f. prices quoted for imported rails and fishplates are reasonably accurate?" I would like to explain that this is not by any means confined to the Railway Board contracts, but includes contracts with the Company railways in view of the high proportion of their surplus profits that accrues to Government.

Mr. Hindley.—If there are any?

President.—If there are none, the whole saving accrues to Government. If there are no surplus profit all the Company is getting is its guaranteed minimum. and any saving that occurs anywhere is so large to meet the loss that Government is making on the line.

Mr. Hindley.—In the extraordinary case of a large deficit?

President.—Or the deficiency is *pro rata* smaller in the event of your getting the rails cheaper. Take the E. I. Railway which has surplus profits. If there is any saving, then a certain amount goes as dividend to the shareholders and Government gets only part of it. But take the case of a line like the G. I. P. which at present has no surplus profits. If there is any reduction in expenditure it merely goes in cutting the loss which Government is bearing. I think we sent you a copy of the representation made containing this statement.

Mr. Hindley.—I cannot analyse the figures in great detail but there is very little doubt that the amount that they stated as the advantage to Government has been exaggerated in this way. They assumed for the purpose of a basis the f.o.b. rates taken from certain quotations. They do not say how they got them. We find that they have taken the f.o.b. rates of 1920-21 and 1921-22 when we were giving them the concession which was based on the difference between the contract and the f.o.b. prices. We had an arrangement on a sliding scale.

Mr. Mather.—That varied with the extent of the difference?

Mr. Hindley.—It was to meet their difficulties at the moment and for the purpose certain f.o.b. rates were taken as a basis. Then the other prices that they quote are probably based on prices from certain published lists.

Mr. Mather.—Trade paper quotations?

Mr. Hindley.—We do not know exactly how they got them. The point I make is this, that the f.o.b. taken for this purpose was not the price we might have had to pay if we had gone into the market for a similar quantity of rails. The listed price some months ago was £10-10 and we made enquiries in the English market at what price we could get a large quantity of rails, and we had an offer of £8-10, £2 below the listed price.

President.—What date was this?

Mr. Hindley.—I do not want to be very precise about the date but I think it was early last year.

President.—After the occupation of the Ruhr I do not think the quotation for rails was ever so low as that.

Mr. Hindley.—Yes. What I wish to indicate is that normally you can get entirely different rates by calling for tenders for a large quantity from those quoted in the Trade Journals. That is what Tatas have done. £10-10 would have been put down as what it would have cost Government for purchasing rails.

Mr. Mather.—In April and May 1922-23, in both months, £10-10 was the Iron and Coal Trade Review's quotation for export.

Mr. Hindley.—There is a difference of £2 per ton and that makes considerable difference to the figures.

Mr. Mather.—Will you tell us whether in fixing the amount payable under this sliding scale system that you had in operation with Tatas in 1920-21, you accepted Tatas' statement of English quoted prices?

Mr. Hindley.—We took them from the "Iron and Coal Trades Review."

Mr. Mather.—You took the Trade paper quotations for the purposes of calculation?

Mr. Hindley.—That was the basis of the concession we gave them as a business matter.

President.—That makes practically certain that this is the basis of their price.

Mr. Hindley.—For the last two quarters of 1922 they quoted their c.i.f. Rs. 156. That is the figure which we were paying them. Actually the prices for these quarters were 137 and 147 so that that exaggerates their case to a certain extent. There is another point. They refer to B. N. R. contract of Rs. 110. I think I am right in saying—I am speaking from memory—that so low a rate was fixed in view of the concessions which the B. N. R. give to Tatas in the matter of freight.

Mr. Ginwala.—I think they themselves admit that.

President.—I am not absolutely certain about that. If you look at the dates, the contract with the B. N. R. was made as early as 1915, but the contract with the Palmer railways was made about two years later.

Mr. Hindley.—They were in negotiations at the same time: that is a matter of personal knowledge.

Mr. Ginwala.—So far as I recollect, Mr. Peterson did admit that they had given these low rates to the B. N. R. because they had concessions from B. N. R. in the matter of freight.

President.—Have you any recent information about the prices of imported rails, say within the last three months? What is in my mind is this: there is something like a rally in the steel market in England. I was wondering whether the Railway Board had any information since November to see how the export price of rails in large quantities was affected.

Mr. Hindley.—I do not think we have any information.

President.—We did hear in an indirect way that there had been a move upwards in the export price. Of course the whole state of the market is very uncertain.

Mr. Hindley.—The "Iron and Coal Trades Review" shows the fluctuation in prices. The price has gone up from £8 to £9. They do not represent the prices which we would pay because ours is a big order.

Mr. Mather.—What the President is wanting to ascertain is this: although the actual price is lower than the trade paper price, have the actual prices gone up in anything like the same proportion as the newspaper quotations? Have you any direct information?

Mr. Hindley.—No.

President.—How far and to what extent do the prices at which they are prepared to export differ when they tender?

Mr. Hindley.—The actual export price is only fixed when occasion arises, when the tender is submitted and the contract made.

President.—The E. I. R. and the G. I. P. are calling for tenders just now or are about to do so, I think.

Mr. Hindley.—I think it probable that they are both in the market.

Mr. Ginwala.—Would it be approximately correct to talk of 2½ per cent. as the percentage of renewals on rails?

Mr. Hindley.—2½ is the same as 40 years' life. It is arithmetically correct.

Mr. Ginwala.—We want to find out what the renewals might be.

Mr. Hindley.—We are thinking now from different standpoints. It all depends on the amount of traffic and what the rails have to carry. That is very uncertain.

Mr. Ginwala.—It was considered that putting down the life of rails at a certain number of years was found in experience to be not right.

Mr. Hindley.—We are taking it as a rough figure for depreciation. In actual practice now and on further examination we find that there is this other factor which has to be taken into consideration.

Mr. Ginwala.—I remember there was a lot of discussion last year about it. If you are making demands for the future you would probably take 2½ per cent. for rails.

Mr. Hindley.—We might take it as an estimate. We would not take it as a basis of contract. It is only a rough and approximate estimate.

Mr. Ginwala.—In the case of wagons they take rather a higher percentage for renewals: or is it also 40 years?

Mr. Hindley.—Yes. 40 years for steel wagons.

Mr. Ginwala.—I think the open mileage is under 40,000.

Mr. Hindley.—Our mileage is 37,000, including metre-gauge.

President.—The rail figures that you gave us are for broad-gauge?

Mr. Hindley.—They are for both.

Mr. Ginwala.—What is the approximate mileage—metre-gauge and broad gauge separately?

Mr. Hindley.—18,000 for broad-gauge, I think, and 16,000 for metre-gauge.

Mr. Ginwala.—It is about equal, I think, for practical purposes.

Mr. Mather.—I notice that according to the Trade Returns for 1922-23 the Government imported a total of about 15,000 tons of rails and fish-plates, that is the highest figure during the last three years. These I presume were imported because Tatas were unable to deliver up to the full requirements. There are one or two rather interesting points here. The imports from the United Kingdom were 5,534 tons.

From Belgium . . . 9,750 tons.
From the U. S. A. . . 1 ton.

(at Rs. 1,632 a ton).
These figures are under the head "Government Stores—Railway plant."

Mr. Brayshay.—As far as I am aware no rails have been obtained for State railways outside India during this period.

Mr. Mather.—You are reported as having imported—

1,900 tons in 1920-21.
3,000 tons in 1921-22.
15,000 tons in 1922-23.

The main head is "Government Stores" and the sub-head is "Railway plant—rolling stock—Materials for construction—rails and fishplates."

Mr. Hindley.—These must have been entirely outside the purchases for railways as such, because we have no knowledge of them. There is the Bombay Development and various other works the rails for which would be put down as Government importation. As regards that 1 ton it may be some special manganese steel.

Mr. Mather.—I am not interested about this 1 ton. There are so many possibilities. The more important thing is how this 15,000 tons was arrived at.

Mr. Hindley.—We have no knowledge of it at all. It is almost impossible to say what it is. We place all our orders with Tatas and if we want anything more than we have ordered we ask them first. They like our orders because they are getting higher prices.

Mr. Mather.—However much they liked them they were not able then to make full deliveries. But the position is different now.

Mr. Hindley.—They generally complete the demand of the State railways and if there is any deficiency it comes under from the allotment for Company Railways.

Mr. Mather.—You make the allotment at the beginning of the year?

Mr. Hindley.—We make the allotment on the demands.

Mr. Mather.—I understand that the procedure is this: if the demands of railways for rails from Tata's exceeded Tata's estimate of their capacity to supply, then the Railway Board fix which railway should have preference in supply?

Mr. Hindley.—I do not think we have power to fix that. It is only done by mutual arrangement and the Railways do not always agree exactly.

Mr. Mather.—It is quite possible that these 15,000 tons may have been in connection with some large scheme other than State railways themselves.

Mr. Hindley.—Almost certainly they are not for railways and certainly not for State railways.

Mr. Mather.—Can you tell us what the prospects are of the development of the use of steel sleepers in India?

Mr. Hindley.—The use of steel sleepers and other sleepers is a matter depending primarily on the opinion of the engineer in charge of the operation and secondly on different climatic conditions and so on. It is im-

possible really to give any forecast. There are certain railways which are wedded to the steel sleeper idea and are buying steel sleepers.

Mr. Mather.—Obviously if the railways were now showing a disposition to use steel sleepers in a much larger proportion than they would previously, it is a matter of considerable importance to the Board in considering the prospect of the market for steel in India.

Mr. Hindley.—The whole question which particular sleeper should be used in particular places depends on so many factors that it is impossible to give an estimate of the whole thing. We are having this question investigated by an expert committee, and we hope to be able to arrive at some idea of where it is best to use steel sleepers and where it is best to use cast iron or wooden sleepers from the point of view of climatic conditions, prices and so on. The price is a very important factor.

Mr. Mather.—What led me to consider the possibility of this point becoming important in the next few years was the very large import of steel sleepers in 1922-23. The figures for 1922-23 are given for the first nine months and there has been an enormous drop again.

	Tons.
Imports for the first nine months of 1922-23	75,000
Corresponding figure for the first nine months of 1923-24 .	12,000

I wonder whether those very large imports in 1922-23 were indicative of a general change in the opinion of the railway engineers on the subject.

Mr. Hindley.—In 1923-24 it was the result of the Inchcape Committee's report. In 1922-23 it was the high price of wooden sleepers.

Mr. Mather.—In 1922-23 steel was comparatively cheaper than wood. Have the comparative prices altered much since then? Has wood become much cheaper?

Mr. Hindley.—There again you are asking a question to which there is no definite answer. Prices of wooden sleepers vary all over the country. I don't think we have any recent prices of wooden sleepers. I think there has been a slight drop.

Mr. Mather.—Is it still fluctuating?

Mr. Hindley.—Very much so. Expert examination is being held just now in regard to all possible sources of supply of timber all over the country, any extension of the use of timber which might follow points to a drop in the price of timber generally.

Mr. Ginwala.—Isn't there an idea that Government must go in for exploring more sources of wooden sleepers?

Mr. Hindley.—We are doing it now. We are having the whole thing examined.

Mr. Mather.—Can you tell me what arrangement the Railway Board has with the Tata Iron and Steel Company for the supply of structural steel, such as beams, channels, angles and so on for building and bridge work? You have some arrangement with the Tata Company, I think?

Mr. Hindley.—This is an arrangement with the Government of India and not the Railway Board. They offered to supply steel at so much less than the c.i.f. price of imported steel and the Railway Board agreed with the Tata Company's price on those lines, and thereafter the consuming departments placed their orders.

Mr. Mather.—You fixed the prices by the c.i.f. price?

Mr. Hindley.—We worked it out in agreement with the Tata Company, and we notified to the departments concerned that the price fixed for the quarter was so much and the consuming departments placed their orders.

Mr. Mather.—What was the difference?

Mr. Brayshay.—I think Rs. 7-8 per ton.

Mr. Mather.—Was that a definite contract?

Mr. Brayshay.—It was an offer made to us by Tatas.

Mr. Mather.—Is it terminable at a definite date?

Mr. Brayshay.—It was not a contract at all. The arrangement appertains to the current year.

Mr. Mather.—It is one that is renewable?

Mr. Brayshay.—Yes.

No. 82.

Bengal Nagpur Railway Company.

Written.

Statement I.—Letter from the Agent, Bengal Nagpur Railway, Calcutta, to the Secretary, Tariff Board, Calcutta, No. 25403, dated 11th December 1923.

* * * * *

2. I have the honour to enclose 4 copies of each of the following, namely—

(1) Answers to questionnaire for railways concerning wagons.

(2) Answers to questionnaire regarding steel castings.

(3) Answers to questionnaire regarding Indian-made steel.

(4) Answers to questions put by the Tariff Board in the course of the first oral examination on 7th November 1923.

3. With regard to item (4) only 11 questions and answers are given against the 20 or 21 which you mention in paragraph 2 of your letter quoted above. Answers to the remaining questions raised during the oral examination have been embodied in the answers to the questionnaires in so far as such questions have been identified.

A.—Replies to Tariff Board's questionnaire for Railways concerning wagons.

NOTE 1.—Quantities, weights and costs of the wheels and axles required for the wagons dealt with should be eliminated from the figures given in reply to this questionnaire.

NOTE 2.—Where possible figures should be given for (*a*) 1922-23, (*b*) 1923-24 and (*c*) probable average for the 4 years 1924-25 to 1927-28.

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1. What is the total number of wagons used by your Railway? How many are of each of the main types?

Answer.—A statement is given below.

The total number of wagons used by this Railway is 21,644. The following are the main types:—

	Total No.
Covered wagons, 4-wheeled, A. B. F. T. P.	2,464
Covered wagons, 4-wheeled, A. A. D.	3,148
Covered wagons, 4-wheeled, C.	1,263
Covered wagons, 4-wheeled, C. A.	306
High-sided wagons, 4-wheeled, K. C. K. D., K. E. } High-sided wagons, 4-wheeled, K. F., X. G., S. T. }	9,001
High-sided wagons, 4-wheeled, K. A., K. B., J.	921
High-sided wagons, 4-wheeled, K. E.	1,000
High-sided wagons, 4-wheeled, K. K. H.	465
High-sided wagons, bogie, K. O., C. O. T., G. H. B., C. H. T.	519
Timber or rail wagons, bogie, L. B., C. L. B., L. B. C.	450
Brake vans, B. P. P. B.—4-wheeled	**415**

2. What are the annual requirements of new wagons of each of the main types?

Answer does not include special types (*e.g.*, ballast wagons of which 50 a year are required).

Type.	Actuals, 1922-23.	Actuals, 1923-24	Average next 4 years.
Covered, 4-wheel	100	100	300
High-sided open, 4-wheel . .	400	200	500
Bogie hoppers, coal and ore .	50	225	150
Bogie rail trucks	100	100	60
Brake vans, 4-wheel	35	80	90

3. Do you build wagons in your own Workshops? If so, please give details of costs for the main types.

Answer.—We do not build wagons from raw materials in our shops but only erect wagons imported in parts.

4. How many wagons have been bought in India?

Answer.—We have bought no Indian manufactured wagons.

5. What have been the costs of each of the main types of imported wagons (*a*) c.i.f. Indian port *plus* loading charges and duty, (*b*) finally erected and ready to run, not including cost of wheels and axles, firstly, if erected in your own works, and secondly, if erected by private firms. If erected in your own works please give details of costs.

Answer.—

Type.	(*a*) English cost.		Total.	(*b*) Cost of vehicles minus cost of wheels and axles.			Total.
	Cost of under-frames, wheels and axles, etc., complete.	Sea freight, insurance, landing charges and duty.		Under-frames, etc.	Sea freight, insurance, etc.	Indian erecting charges in B. N.R. shops.	
	Rs.	Rs.	Rs.	Rs	Rs.	Rs.	Rs.
*Covered 4-wheel .	5,850	1,085	6,935	4,566	851	389	5,806
Open goods high side 4-wheel.	5,670	1,039	6,709	4,386	810	246	5,442
Bogie hopper	12,000	2,225	14,225	9,436	1,760	472	11,668
Bogie rail trucks .	16,845	3,112	19,957	14,231	2,646	262	17,139

* "D" type covered wagon—*vide* Statement II (2).

The foregoing relate to erection in B. N. R. Workshops. Only one batch of wagons have been erected by private firms. The erection charges were very much higher but included certain alterations which cannot be separated from the total cost of erection so that no fair or representative figures can be quoted.

6. For each of the main types of wagon what are the weights of the following per wagon?

(*a*) Total wagons.

(*b*) B class steel used in manufacture of wagon.

(*c*) D class steel used in manufacture of wagon.

(*d*) Steel castings used in manufacture of wagon.

(e) Spring steel used in manufacture of wagon.

(f) Steel plates and sheets used in manufacture of wagon.

(g) Structural steel (angles, channels, etc.) used in manufacture of wagon.

(h) Wrought iron used in manufacture of wagon.

(i) Iron castings used in manufacture of wagon.

If any other class of steel is used to an important extent please give information.

———	Open high side 4-wheel. K. G. type. T. C. Q. lbs.	Covered 4-wheel. D. type. T. C. Q. lbs.	Bogie rail truck. L. B. type. T. C. Q. lbs.
(a) Total wagon	9 2 0 0	9 4 0 0	21 8 0 0
(b) B class steel used in manufacture of wagons.	1 6 1 20	1 5 0 17	2 8 3 19
(c) D class steel used in manufacture of wagons.	0 2 0 24	0 2 0 24	0 4 0 18
(d) Steel castings used in manufacture of wagons.	0 5 0 18	0 5 0 18	1 1 2 24
(e) Spring steel used in manufacture of wagons.	0 0 0 5	0 8 3 10	0 15 3 7
(f) Steel plates and sheets used in manufacture of wagons.	1 19 2 7	2 2 3 18	4 1 1 11
(g) Structural steel (angles, channels, etc.) used in manufacture of wagons.	2 2 0 14	2 2 1 1	6 4 0 16
(h) Wrought iron used in manufacture of wagons.	....	....	0 10 2 7
(i) Iron castings used in manufacture of wagons.	0 3 1·8	0 3 1 8	0 8 3 12
(j) Nickel chrome steel used in manufacture of wagons.	0 1 0 25	0 1 0 25	0 1 0 25

7. Have you adopted, or are you considering the adoption, for wagon axles, tyres and springs the alternative British Standard Specifications (Report 24, Nos. 3a, 5a, 6a) or any other specifications which permit the use of basic open hearth steel for these purposes; if not, why not?

Answer.—Our specifications insist that all important steel forgings shall be manufactured from open hearth acid steel and that Basic-Bessemer shall not be used in any circumstances.

8. Do you consider that the establishment of a wagon building industry in India is desirable in itself from the Railway point of view putting aside for the moment the question of the means by which that result is to be obtained?

Answer.—In so far as it would develop trade and traffic it is desirable but in other respects no great advantages are foreseen.

9. Do you think that it would be more economical in the long run for the Railways to develop their own wagon works?

Answer.—Railways could undertake manufactures and produce at no higher rates than private firms; consequently wagons would cost them less as they would not look for high rates of interest on their capital. At the same time owing to fluctuating requirements from year to year it would probably not be an economical proposition for individual railways to establish their own wagon construction works though groups of railways might perhaps do so.

The question is somewhat academic since the existing practice of purchasing from one or another of the competing established wagon builders is satisfactory and the capital which Railways would require to establish their own shops could be more profitably employed in works more directly connected with transport.

10. The wagon companies in India are asking for assistance to an extent which would bring the price paid to them for an A-1 type B. G. wagon to about Rs. 4,600—while the price of steel in India is as at present. They have also asked that if protective duties are imposed on steel they may be compensated for the resulting increase in their cost of production. They estimate that for such increase of 10 per cent. in the duty the cost of the finished wagon would go up by about Rs. 220. Assuming that assistance to the extent asked for is necessary and advisable, in what form do you consider it should be given?

11. If assistance were given in a form which would increase the cost of wagons to the Railway, do you think that the increase would be of such magnitude as to render an increase of rates and fares necessary or to prevent a reduction in rates and fares which might otherwise have been possible? And do you consider that the increase would be likely to retard the construction of Railways in India?

10 and 11. Answer.—It is not very clear how the figures quoted by wagon builders have been arrived at. The statement that each 10 per cent. duty on steel represents an additional Rs 220 in the cost of a wagon is roughly the equivalent of saying that in each wagon there is Rs. 2,200 worth of steel of classes to be subjected to tariff.

However taking these figures as a basis the extra expenditure involved in an additional 23½ per cent. of duty on our quinquennial programme for wagons would amount to an average of just under Rs. 9,00,000 annually, both capital and revenue.

The question as to the form of assistance and its effects on rates and fares and on new constructions is dealt with in the replies to the "Tatas Steel" questionnaire.*

B.—Replies to Tariff Board's questionnaire re Steel Castings.

1. The weight and value of steel castings imported as such by your Railway during the last 2 official years.

	Tons.
1922-23	110
1923-24	130
	240

Value of the 240 tons c.i.f. is Rs. 1,68,000.

* *Vide* I. C.

2. The chief purposes for which these castings were used.

Answer.—Axle boxes and buffer cases.

3. The approximate weight and value, if ascertainable, of steel castings imported as parts of wagons, locomotives, carriage underframes or other important articles during the last two years.

Amended answer.—

	Tons.	Value. Rs.
Steel castings imported during 1922-23 as parts of wagons and carriage underframes . .	932	6,52,400
Steel castings imported during 1922-23 as parts of locomotives	800	5,60,000
TOTAL .	1,732	12,12,400

4. Whether you expect that the annual requirements of your Railway will increase during the next five years.

Answer.—Moderate increase mainly owing to expanding wagon programme.

5. If steel castings are produced for your own purposes in your own workshops it would help the Board if you would state the amount of your output during the last two years.

Answer.—No steel castings are produced in B. N. Railway Workshops

6. What quantity of steel scrap can the B. N. R. put on the market for sale annually.

Answer.—About 700 tons per annum. About 30 tons of steel tyre turnings are being specially collected and sold to a local steel foundry.

C.—Replies to Tariff Board's questionnaire re *Indian made steel*

1. What do you estimate as the probable annual consumption during the next five years by your Railway of the kinds of steel included in the enclosed statement which has been supplied by the Tata Iron and Steel Company?

Answer.—Estimated probable annual consumption during next five years of kinds of steel manufactured by Tatas as shown in statement annexed to questionnaire is as follows:—

On Capital Account.

—	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.
	Tons.	Tons	Tons	Tons.	Tons.
Steel rails fittings sleepers .	29,700	29,700	29,700	29,700	29,700
Steel general	500	500	500	500	500
Steel in wagons . . .	6,622	12,320	6,312	9,290	9,283
Total tonnage Capital . .	32,822	42,520	36,512	39,490	39,483

On Revenue Account.

—	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.
	Tons.	Tons.	Tons.	Tons.	Tons.
Steel rails fittings, sleepers, etc.	15,800	15,800	15,800	15,800	15,800
Steel general	1,500	1,500	1,500	1,500	1,500
Steel in wagons . . .	2,035	3,190	1,100	990	2,090
Total tonnage revenue . .	19,335	20,490	18,400	18,290	19,390
Total tonnage Capital and Revenue.	52,157	63,010	54,912	57,780	58,873

2. To what extent would the annual capital or revenue expenditure of your railway be increased if the import duty were raised from 10 to 33⅓ per cent. assuming that customs duty was payable on all imported materials similar to those manufactured by Tatas or any other Indian firm and that the price was increased to the full extent of the additional duty?

The increased costs are shown by the following table:—

—	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.
	Rs.	Rs.	Rs.	Rs.	Rs.
	C. F.	14,64,298	34,36,000	50,57,200	68,52,000
Capital—					
Wagons	2,11,298	7,18,706	3,88,200	5,41,900	5,41,500
Rails, etc.	12,53,000	12,53,000	12,53,000	12,53,000	12,53,000
TOTAL .	14,64,298	34,36,006	50,57,200	68,52,100	86,46,500
Interest at 6 per cent. . .	87,858	2,06,160	3,03,432	4,11,126	5,18,790
Extra Revenue Expenditure—					
Wagons	1,18,700	1,79,000	64,100	57,700	1,21,900
Rails, etc.	7,36,400	7,36,400	7,36,400	7,36,400	7,36,400
Total with interest on extra capital expenditure.	9,42,958	11,21,560	11,03,932	12,05,226	13,77,090

3. What further increase of expenditure would result if the higher import duty were extended also to structural steel imported in a fabricated condition?

Answer.—The further increase of expenditure if the higher duty were extended to structural steel imported in a fabricated condition would be as follows:—

——	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.
	Rs.	Rs.	Rs.	Rs.	Rs.
	C F	2,74,400	7,38,675	10,71,875	14,70,000
apital—					
Wagons	78,400	2,68,275	1,37,200	2,02,125	2,02,100
Rails, etc.	1,96,000	1,96,000	1,96,000	1,96,000	1,96,000
TOTAL .	2,74,400	7,38,675	10,71,875	14,70,000	18,68,100
erest at 6 per cent. . .	16,464	44,321	64,305	88,200	1,12,086
Wagons	45,325	71,050	24,500	22,000	46,500
Rails, etc	98,000	98,000	98,000	98,000	98,000
TOTAL	1,59,789	2,13,371	1,86,805	2,08,200	2,56,586

4. Would the increase of expenditure be of such magnitude as to render an increase of rates and fares necessary or to prevent a reduction in rates and fares which otherwise might have been possible?

Answer.—From the figures given in the answers to Questions 2 and 3, the increased Revenue expenditure on the B. N. Railway if the proposed tariff duty of 33⅓ per cent. were imposed would be Rs 16,33,000 per annum.

To secure additional earnings to counterbalance this expenditure, it would not be possible to look to the Steel Company's traffic because the traffic in itself is not a profitable one and the rates at which it is carried have to be maintained until 1932 under the terms of the concession granted by the Government of India and the B. N. Railway to the Steel Company.

Most of the traffic is bulky and economical to handle, but against that the rate per ton mile is low and the Railway has had to lay out a great deal of Capital on mineral lines, large station yards, and special wagons to enable the traffic to be dealt with, and the interest on this probably fully absorbs any net profit on the traffic. Therefore, the argument that the increased traffic which the Steel Company will give to the Railway under the protection tariff will recoup the Railway for its extra expenditure in steel is not tenable.

As an instance of the difference in rates the following figures for coal traffic illustrate the low rate payable by the Tata Steel Works under the traffic agreement:—

	Rs.	A.	P.
Rate per ton for coal to the steel works . .	1	5	5
Rate per ton for coal to the steel works, if at public rates	2	8	0

The fact emerges that the extra cost to the Railway must be covered from some source other than traffic to and from Steel Works.

The sources open to a Railway are—

(a) Increase in rates and fares.

(b) Postponement of possible reductions in rates and fares.

(c) Additional traffic of all kinds sufficient to make up the deficit; which in this case would require an increase of gross revenue of approximate Rs. 40,00,000.

It is impossible when considering the effect on a big organisation such as a Railway definitely to state which of the three sources of income would have to be made use of.

5. Do you consider that the increase in the price of steel resulting from the raising of the import duty to 33⅓ per cent. would be likely to retard the construction of Railway in India?

A typical up-to-date construction estimate has been analysed and it is found that steel represents approximately 35 per cent. of the total cost.

Actually the estimate in question totals roughly Rs. 100,00,000.

An increase in the steel tariff of 23⅓ per cent. would represent an increase of 8⅓ per cent. in the cost of construction so that a construction project which on present rates would show the bare minimum 6 per cent. return on Capital would by reason of the increased tariff show a return of 5.54 per cent.

Clearly a large increase of cost on constructing new lines must tend to retard Railway construction.

6. Do you consider that the establishment of the steel industry in India is desirable in itself from the Railway point of view putting aside for the moment the question of the means by which that result is to be attained?

Answer.—India with the great advantage of possessing unlimited quantities of high grade iron ores and excellent limestone and coal should certainly make every effort to establish its steel industry. Assuming that the establishment of steel making in India will enable Railways to obtain their steel requirements as cheap as or cheaper than elsewhere, the proposal is a desirable one.

7. Assuming that the industry cannot be established without protection in what form do you consider it should be given?

Answer.—To establish the steel industry in India it must for a time be assisted by Government. The three alternatives appear to be—

(1) Protection by a high tariff duty.

(2) Bounties.

(3) Some form of guarantee.

(1) Assistance by protection is not advisable because while assisting the steel industry other industries may be harmed, Railways will be compelled to raise their charges, and construction of new lines will be retarded. It is also a form of assistance that is not reliable from the commercial point of view as the rate of tariff is subject to alteration at any time.

(2) *Bounties.*—This is a more attractive form of assistance. It has the advantage of being a definite assistance for a definite period under definite conditions. It has one defect and that is that it may not be of much assistance in the early stage of the creation of the industry.

(3) *Some form of guarantee.*—When steps are taken to establish a new industry of such magnitude and importance as steel making serious mistakes are always made. The required capital is raised on estimated figures, and it is invariably found that the Pioneer Company has exceeded its capital before it has completed its works and is hampered by not being able to raise further capital. If the industry is one that the Government of India considers is of the greatest importance for the development of Indian industry generally, the form of assistance to be given must permit of more capital being provided to complete the works. This can best be done by the loan of capital at a low rate of interest or a guarantee for a period and under

definite conditions which would enable the Steel Company to raise the capital it must have to complete its work and provide working capital.

The conclusion is that if the Government of India desires to see steel making established in India on a large scale, the form of assistance in the first instance should take the shape of providing a loan to the Company or of putting it in a position to raise further capital by means of a guarantee. If this assistance is insufficient for establishing the industry it may be necessary to give a small bounty for a short period to give it a fair start and time to settle down to the most economical methods of working.

D.—Supplementary answers to questions put by the Tariff Board in the course of 1st oral examination on 7th November 1923 arising out of questionnaire re Indian made steel.

1. Cost of rails, fishplates and sleepers pre-war and post-war appears in following statement:—

	Early 1914 delivery.		1922 delivery (2 separate contracts at same rates).	
	f. o. b. per ton.	Landed Calcutta including duty and all charges.	f. o. b. per ton.	Landed Calcutta including duty and all charges.
	Rs. A. P	Rs. A.	Rs. A.	Rs. A.
Rails	92 13 0	105 0	112 8	142 8
Fishplates	122 13 0	135 2	112 8	142 8
Sleepers	107 4 0	119 14	176 4	212 14

Note.—Exchange calculated at Rs. 15=£1.

2. What quantities of structural sections is the B. N. R. getting from Tatas direct?

Answer.—We are getting practically nothing from Tatas direct. We have given them opportunities of which they have not taken advantage. We do, however, purchase material of Tatas manufacture when offered by local firms. In 1922-23 we purchased about 120 tons of Tatas sections through local firms.

3. The quinquennial forecast provides for a total of 1,10,000 tons of rails in the 5 years.

4. Quote figures which will give a general line of comparison between the rates charged to Tatas and those charged to general public.

Answer.—The average rates of freight payable by the Tata Iron and Steel Company and the average rates which they would have paid on this tonnage had public rates been charged are as follows:—

Onwards traffic, *i.e.*, outturn.

Tons.	Tata.	Public rate.
	Rs.	Rs.
141,000	3,50,000	9,60,000
Rate per ton . .	Rs. 2-8	Rs. 7

Inwards traffic, *i.e.*, raw materials.

Tons.	Rs.	Rs.
1,553,421	19,00,000	45,54,000
Rate per ton . .	Rs. 1-3-6	Rs. 3

In the case of coal which is our lowest rated public traffic, actual figures for the year 1922 show that the Tata Iron and Steel Company would have paid at the rate of Rs. 2-8 per ton had they been charged public rates whereas they were charged Re. 1-5-5 per ton only.

Supplementary questions during the examination on 7th November 1923 arising out of the Wagon questionnaire.

5. B. N. R. figures of cost of covered wagons are given for D class. How does the cost of D compare with cost of A-1?

Answer.—We have no exact data upon which to reply to this question but working out estimates for D class and A-1 class gives a price for A-1 rather less than 10 per cent. above the price for D class.

6. Compare contract price c.i.f. latest pre-war and recent contracts.

Answer.—

	Including wheels and axles.	Excluding wheels and axles.
	Rs.	Rs.
1913	3,583	2,749
1921	7,078	5,318
1923	6,260	4,976

(Figures exclude Indian charges for labour and materials, *e.g.*, Floorboards.)

7. Why is no wrought iron shown as employed in K. G. and D. Do the B. N. R. contract specifications lay down full and complete details of materials for all parts of wagons and would those precise details have to be observed if wagons were manufactured in India?

Answer.—Specifications for general underframe fittings specify that material unless otherwise specified shall be either wrought iron or a good quality steel and in all respects equal to that specified.

The material for ordinary individual fittings is not specified. Possibly some of these may be made of wrought iron but the actual quantity is not known. In any event it could not exceed 3 cwt. for a 4-wheeler.

8. Does B. N. R. consider that its anticipated requirements of wagons would represent an economic unit for a wagon construction factory?

Answer.—The number of wagons which we shall require in the next five years would not justify a wagon construction factory. The output would be too small and fluctuating to be economical.

Supplementary answer to question arising on steel questionnaire (Question asked at 1st Examination).

9. Axle boxes—10″ × 5″	Rs. 26-9-9 each c.i.f.
Axle boxes—10″ × 5½″	Rs. 28-14-9 each c.i.f.
Buffer cases for D type wagons	**Rs. 13-4-3 each c.i.f.**

10. Does the B. N. R. contemplate installing a steel foundry?

Answer.—No.

11. Have steel castings produced in India been found on the whole satisfactory?

Answer.—The castings turned out in the B., B. and C. I. Railway Foundry have been quite satisfactory. From our comparatively small experience of firms in India the castings which they are capable of producing are satisfactory but deliveries are not satisfactory.

Statement II.—Letter from the Agent, Bengal Nagpur Railway, Calcutta, to the Secretary to the Tariff Board, Jamshedpur, No. 26511, dated 22nd December 1923.

I am in receipt of your letter* No. 726, dated the 18th December 1923. I enclose one additional copy of the papers referred to in the first paragraph of your letter.

2. I beg to give you answers to the questions contained in paragraph 2 of your letter—

(1) There are too many varying conditions in regard to this question to enable me to give you any reliable answer. The varying conditions are as follows:—

(a) The varying price of steel and wooden sleepers.

(b) The varying supply from year to year of wooden sleepers.

(c) The variable consumption of sleepers on the B. N. Railway due to heavy plate-laying on new station yards and absence of the same in other yards.

(d) The varying consumption of sleepers on Revenue account only due to exigencies of Budget control.

(2) The price of a "D" type covered wagon is that given under the heading "Covered four-wheeler" in the answer to Question 5 of the Wagon Questionnaire.

(3) Not to any appreciable extent.

(4) The use of Indian pig iron in the manufacture of axles is a technical matter for iron and steel experts. So far as I understand from the iron and steel question, good pig iron can be converted into steel by varying processes which can make it available for different purposes.

(5) and (6) The dates of the 1922 contracts were 22nd September and 13th November 1922. The cost of rails landed was given in supplementary Answer No. 1, namely, Rs. 142-8 per ton. This figure includes Customs duty and all shipping and landing charges or Rs. 132 per ton excluding duty.

(7) Rails were purchased in the open market because the quantity available from the Tata Steel Works from time to time has not yet been sufficient. The difference in price may be taken at—

Tatas contract . .	Rs. 110 per ton.
English contract .	Rs. 132 per ton (excluding duty).

3. In this connection it should not be forgotten that the B. N. Railway was the first to make a long term contract with the Tata Steel Works, and was the only Railway at the time to assist the formation of the Steel Works by special rates and facilities and assistance with all kinds of information.

* Printed below.

Letter from the Secretary to the Tariff Board, Jamshedpur, to the Agent, Bengal Nagpur Railway Company, Limited, Calcutta, No. 726, dated the 18th December 1923.

I am directed to acknowledge, with thanks, the receipt of your letter No. 25403, dated the 11th December 1923, and to say that the Tariff Board will be glad to receive at an early date an additional spare copy of each of the papers enclosed with the letter.

2. I am also to point out that information on the following points promised by you during the course of your evidence does not appear to have been received either separately or embodied in the answers to the several questionnaires:—

(1) Information about the price of steel when it would be remunerative for the Company to use wooden sleepers for steel ones.

(2) Information as to the price of a "D" type wagon erected in India.

(3) Note whether during the war, owing to scarcity of steel, wrought iron was used in the building of wagons.

(4) Note showing whether there is any prospect for utilising Indian pig iron in the manufacture of axles.

(5) Verification of Tatas' statement about purchase by the Railway Company of 8,500 tons of British Standard rails at Rs. 132 landed and note showing whether this price included duty.

(6) Date of the contract entered into in 1922 for the delivery of certain rails imported from the United Kingdom.

(7) Rate at which the Company purchased articles in open markets in excess of the quantity not covered by contract with Tatas.

Oral evidence of Mr. A. M. CLARK, Agent, Bengal Nagpur Railway, recorded at Calcutta on Wednesday, the 7th November 1923.

President.—We are very much indebted to you for trying to get the information we asked for ready for us to-day. We are pressed for time in the Tariff Board. The reason is that our proposals have got to be ready by a certain time and, unless we get the information we want from the various people who can give it, we shall not be able to make good. I was a little disappointed when we found that so little had been done towards getting the information we asked for in our letter to you of the 19th September.

Mr. Clark.—Of course the information was called for at once but the difficulty has been to extract that information. There has also been some delay in dealing with the reference. Our point is that we do not keep records in the form which would enable us easily to extract that information.

President.—You don't think that in any case it would have been possible to have got out the information much sooner?

Mr. Clark.—It is very difficult for me to say. It concerns three departments, all of whom were pressed to hurry up as quickly as possible in getting it ready.

President.—I have already said that we are grateful to you for the trouble you have taken and for coming here to-day. You understand of course that we have been called upon to provide the Government of India with facts and figures in making our recommendations, and naturally we have to pass on to other people the request to let us have their facts and figures as quickly as they possibly can.

Of the three letters, we shall take up first the letter regarding which your information is most complete.

Mr. Clark.—The letter in regard to the steel castings.

President.—Perhaps we might begin with that. Then the first question was as regards the weight and value of steel castings imported as such by your Railway during the last 2 official years. Your answer is that the quantity of steel castings imported in 1922-23 and 1923-24 was 110 and 130 tons respectively. But you are not able to put any figure as to the value of these castings.

Mr. Clark.—No.

President.—Could you tell us which is the most important steel casting which you import?

Mr. Clark.—Probably axle boxes.

President.—Would it be possible for you to give us any figure as to the approximate cost of these axle boxes?

Mr. Clark.—I am afraid I have not got that information here. I can let you have it.*

President.—We should like to have it, if it is available. Perhaps Mr. Mather will be able to explain to you why we put this question in this particular form.

Mr. Mather.—As you are aware, steel castings are now being made in India by two commercial firms and they tell us that they are dependent chiefly on the railways for their orders for steel castings, and that they have difficulty in getting orders direct from railways at prices which will pay

**Vide* Statement I. D (9).

them. When we asked them the price at which steel castings were now being imported into the country, they were not in a position to tell us. We thought that we would try to find out from the railways generally what the market is for steel castings such as these firms make and what the value of these castings is. In that case, knowing their cost of production, we could say whether they ought to be able to compete or not with the imported article.

President.—We want also to get an idea as to the total demand for steel castings in India with reference to the question whether the manufacture of steel castings in India is a commercial proposition. That is a most important point.

Mr. Clark.—Therefore you want to know our total consumption and the value. We have given you the figure of our consumption.

President.—If you are unable to say with any absolute accuracy, it is enough if you say between such and such. It is the general scale of the thing that we want to know more than the exact detail.

Mr. Mather.—Similarly if you import a dozen different types of steel castings, we do not want full details for each of them. You can take the most important things like axle boxes and give us the quantity of each and its value.

Mr. Clark.—Yes.*

Mr. Mather.—In stating the value, please make it clear whether it is c.i.f. or f.o.b. value.

Mr. Clark.—Yes.

President.—Then as regards the second question—"the chief purposes for which these castings were used"—we would like to have more details.

Mr. Clark.—Yes, you want details of parts of wagons and machinery.

Mr. Mather.—We would rather like to have a little more than that. In the case of locomotives and wagons, one knows that axle boxes must be used but there might be other things, where the names would not fully explain the purpose for which they are used. In those cases please state what they are used for.

Mr. Clark.—Yes.†

President.—The third question is—"The approximate weight and value, if ascertainable, of steel castings imported as parts of wagons, Locomotives, carriage underframes or other important articles during the last two years." You say that the reply relates to wagons only as other figures are not available, and you are not in a position to give us also the value. Would it be possible for you to give us an idea as to the number of wagons so as to get more or less the weight per wagon of the axle boxes? That probably has been dealt with in the wagon questionnaire. Have you given the reply there?

Mr. Clark.—Yes.

President.—Are all your wagons imported?

Mr. Clark.—All our wagons are imported.

President.—Then arithmetically one can arrive at the average. I do not want more than that.

As to the other two questions about steel castings, the best plan would be to postpone them.

Mr. Kale.—I find that there is a discrepancy between the figures given in answer to question 1 and question 3 with regard to tonnage.

Mr. Clark.—The answer to the first question relates to the weight and value of steel castings imported as such—that is separately—and the answer to the third question shows the approximate weight of steel castings imported as parts of wagons and not separately.

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* *Vide* Statement I. D. (9).

† *Vide* Statement I. B. (2).

Mr. Kale.—So we have to put these together in order to arrive at the total consumption.

Mr. Clark.—May I make that point clear? If you add these two together, it may give you a wrong figure as to the castings that could be manufactured in India. If you import a wagon, you must import those parts of it that are made of steel castings. You cannot import a wagon without those parts.

President.—That is to say, so far as the figures given in answer to question 3 are concerned, that unless the Bengal Nagpur Railway begin to buy wagons in India, they could not buy any of these castings in India because they are not parts of wagons?

Mr. Clark.—Not in buying new wagons.

President.—What might be required to be purchased in India is the quantity given in answer to question 1?

Mr. Clark.—Yes.

Mr. Kale.—So, the tonnage given in answer to question 1 is independent of wagons?

Mr. Clark.—Yes, independent of new wagons.

Mr. Kale.—In answer to question No. 5, you say that no steel castings are produced in the Bengal Nagpur Railway workshops. Have you ever contemplated or do you contemplate making your own castings in your workshops?

Mr. Clark.—I find it difficult to answer that question in the absence of my technical adviser who has only just come back to India, but I don't think we contemplate that at present.*

Mr. Mather.—Your railway, I think, have bought some steel castings in India. Are you aware of the circumstances?

Mr. Clark.—We have made small purchases.

Mr. Mather.—I wanted to know whether you had bought sufficient quantities of steel castings to enable you to say from your experience whether Indian foundries were capable of making steel castings serviceable for railway purposes.

Mr. Clark.—I cannot say that.

Mr. Mather.—At the end of the Board's letter to you, you were asked the amount of steel scrap which you are likely to put on the market for sale annually. I notice there is no answer to that.

Mr. Clark.—We have not been able to obtain that information yet. We are putting a good deal of steel scrap on the market. I have not got the information now but I hope to be able to give you later.†

President.—The importance of it is that one of the two firms who make steel castings—the Hukumchand electrical people—said that their raw material was entirely steel scrap and the question arose whether a sufficiency of raw material obtainable in the country existed to enable the industry to carry on because, if it had to rely on imported pig iron, the position would be rather different. It would not to the same extent be available at the time of emergency of war when sea communications might be cut off. Then, it would be just as easy to import the castings as to import the pig iron.

Which of the other two letters would you like to go on with now?

Mr. Clark.—May I suggest the questionnaire in connection with the consumption of steel. We have got the information ready but there is no spare copy.

President.—The best you can do is to read the answers.

Mr. Clark.—Taking the first question: this question was understood to mean that figures were required of our purchases from Tatas only of steel—that was 15,000 tons, mostly rails.

**Vide* also Statement I. D (10).

†*Vide* Statement I. B (6).

President.—We wanted to find out what your total requirements were. The object of the question was not to ascertain your purchases from Tatas, but to ascertain your total consumption of the kinds of steel which they expect to be able to produce in a comparatively short time including of course what they already produce.

Mr. Clark.—I am sorry to say that it was misunderstood. We thought that it had reference only to Tatas, but the required figures will be collected and sent to you later.*

President.—The answer to the second question also goes wrong I take it. The second question is: "to what extent would the annual capital or revenue expenditure of your Railway be increased if the import duty were raised from 10 to 33⅓ per cent., assuming that customs duty was payable on all imported materials and that the price was increased to the full extent of the additional duty?"

The third question also is connected up with the first: "What further increase of expenditure would result if the higher import duty were extended also to structural steel imported in a fabricated condition."

If you have got any figures, could you tell us how you arrived at them?

Mr. Clark.—We put the approximate value on all kinds of steel imported—the figures are very approximate—and then made the necessary addition.

President.—If the import duty were raised, would not that affect the price of steel purchased in this country?

Mr. Clark.—Yes.

President.—So that it would cover not only the imported steel but also the steel purchased in India?

Mr. Mather.—You have provided for the rise in the price of steel whether imported or obtained in the country?

Mr. Clark.—Yes.

President.—Could you let us have the figures?

Mr. Clark.—In 1924-25, the capital expenditure is estimated at Rs. 51·63 lakhs and the total revenue expenditure at Rs. 27·26 lakhs.

President.—These are the increases.

Mr. Clark.—Yes. They are increased year by year and the total revenue expenditure in 1928-29 will be Rs. 45 lakhs.

President.—Does that include also the steel in the imported wagon?

Mr. Clark.—That is for the whole lot.

President.—Does the figure you gave include the capital expenditure.

Mr. Clark.—No. It does not include the capital expenditure. It includes the interest on the capital expenditure.

President.—You mean that your revenue expenditure would gradually go up from year to year by the interest on the increased capital.

Mr. Clark.—Yes. It will increase from Rs. 5 lakhs to 19 lakhs in 1928-29.

President.—You will be sending us a detailed statement, won't you?

Mr. Clark.—We will.†

President.—As regards the extension of the higher import duty to the structural steel.

Mr. Clark.—We have included all steel. We have practically taken questions 2 and 3 together. Does not the answer I have given you meet the case?

President.—The figures that you have prepared would be exceedingly useful to us, but it will not be possible to separate them in the way in which we want.

Mr. Clark.—Am I to understand that the question has reference to all imported materials of steel similar to those manufactured by Tatas?

**Vide* Statement I. C (1).
†*Vide* Statement I. C (2).

President.—That was the object of the questionnaire.

Mr. Clark.—Does that include steel rails? We buy 15,000 tons of rails from Tatas under contract.

President.—In so far as you buy under contracts which would not be affected by an increase of duty, I take it that that quantity ought to be excluded. There is also this to be said that the contract does not last for ever: it will no doubt affect your expenditure sooner or later. The best plan I think would be to include in the figures all steel that you buy from Tatas whether under contract or otherwise and from any other firm in India.

Mr. Ginwala.—The question is not how much steel you buy but how much of the particular kind. It is the quantity and the kind of steel manufactured, or proposed to be manufactured, soon in this country with which we are concerned. How much of that kind of steel do you either buy or import is what we want to know.

President.—I may explain to you this way.* We started with Tatas They supplied us with this statement showing the various kinds of steel that they intend to manufacture when the Greater Extensions are complete. We want to tell the Government of India if we can, supposing the duty is raised to 33⅓ per cent. on those kinds of steel as claimed by Tatas, what will be the resulting increase in expenditure. We have asked for this in the first two questions. Then we came to Calcutta and the various engineering firms, Burn's, Jessop's and the Indian Engineering Association came to us and made representations that if raw steel was going to be taxed, fabricated steel should not be left alone. Therefore our question (3) goes on with fabricated steel.

Mr. Ginwala.—In this connection I may explain to you that in this structural steel there are two points: First of all these people claim that if raw or unfabricated structural steel is taxed, in that case there should be an additional duty on structural steel. Apart from that, they say that they cannot manufacture structural steel here out of imported or Tatas' steel, and that it ought to be protected, that is apart from any question of any increase in duty on the raw material.

President.—Supposing on structural, exactly as on raw steel, the duty is raised from 10 to 33⅓ per cent., what would be the result to your finances?

Mr. Clark.—We will give you that.* You want it separately on Tatas' sections of steel manufactured in this country?

President.—Also steel of the kind that Tatas say they are going to manufacture in a short time.

Mr. Clark.—Are we entitled to include in our statement the effect on the price of wooden sleepers in the event of the price of steel sleepers being raised?

President.—That is a little remote. Of course it is a possibility that if the price of steel sleepers goes up, wooden sleepers would regain the lost ground. Let me put it this way. If you can give us any opinion as to any substitution of that kind that you think is likely to occur we shall be very glad indeed to have it. If you think that one effect of the duty would be the use of more wooden sleepers, you may mention that, but I think the only way to give the figures that we have asked for is to assume that no substitution will be made. If you tell us that you are going to use nothing but wooden sleepers in the event of a rise in price of steel, your expenditure will be reduced.

Mr. Ginwala.—If you think that, if the price of steel goes up to a certain point, then it will be remunerative for you to use wooden sleepers, you may mention at what point it will be.

Mr. Clark.—Yes, I understand that.†

***Vide Statement I. C (3).**
†Vide Statement II. 2 (1).

President.—Then question (4) arises directly out of the questions (1) to (3).

Mr. Clark.—We have thought of it and the answer to that question is "The imposition of an import duty of 33⅓ per cent. would in my opinion raise the price of steel in other steel products to such an extent as to add very seriously to the capital and revenue expenditure of the Railway and would necessitate a further increase in railway rates if the present very moderate standard of net earnings is to be maintained."

Mr. Ginwala.—Are you supporting this statement by figures or is it a general opinion?

Mr. Clark.—I give that as a general opinion.

Mr. Ginwala.—It does not help us very much.

President.—You have gone on prices assuming the duty on all steel is increased—but if it were limited in the way I suggested?

Mr. Clark.—It would be limited proportionately. What I mean is any addition to our working expenses must be compensated for if we are to maintain, as I have said, the present very moderate standard of net earnings.

President.—Naturally of course any increase of expenditure the railways are anxious to avoid, but what we were trying to ascertain here is, on the basis of the figures in answer to the first three questions, what do you think this increase of expenditure would result in. The first three questions were intended to try and ascertain the result which would follow from the adoption of the proposal which had been put forward. Then in question (4) we asked "Would the increase of expenditure be of such magnitude as to render an increase of rates and fares necessary or to prevent a reduction in rates and fares which otherwise might have been possible?"

Mr. Clark.—But I think that any marked increase must be compensated.

Mr. Ginwala.—The point is this: A general opinion of that kind is very valuable in itself but as I pointed out to you it does not give us the help that we want in connection with the question of what would be the real effect of this duty. This is the sort of figure that I should like to have from you if you can give it to me. Take your next five years' programme. I do not know if you have such a programme?

Mr. Clark.—Yes.

Mr. Ginwala.—Then you say "This is the kind of steel that is going to be manufactured in this country and these are the quantities that we are going to use." You have got these figures. Then you will say "This is our capital expenditure." Supposing you expend Rs. 5 crores on capital works you will say that your expenditure is Rs. 5 crores out of loan money, which carries so much rate of interest and so much sinking fund. You will then find out the charges on account of steel. You use again a certain quantity of steel in ordinary works financed out of revenue expenditure. You may say that you would spend Rs. 1 lakh on that but now it would cost you Rs. 1,20,000. You have got to find the money and you may say that your freight will go up by such and such a figure and your passenger fare will go up by such other figure. Then take the five years' programme. You can say that the steel in the works would come to Rs. 50 lakhs in those 5 years out of the loan amount. You split them up for the number of years for which the loan exists—30 years, or any other number—and you get so much a year. You can calculate the charges on steel and say that would mean so much additional burden. You can then say that the company, in order to get a return of so much on capital, must raise the freight by so much and passenger fares by so much.

President.—That is exactly what we are trying to get at.*

Mr. Clark.—We have given these figures based on the assumption that the import duty, if applied, would apply to all the steel.

***Vide Statement I. C (4).**

President.—I would like to give you a very good illustration. For the present it would not come within the scope of the proposals. For instance, wheels and axles are not made in India and there is no proposal before the Board to raise the duty on these. So they have to be excluded.

Mr. Clark.—So what you want is the statement I have already given you modified so as to apply to things and sections which are manufactured in India the import duty being applied.

President.—Steel castings went into the other letter. This letter relates to the steel produced by Tatas *plus* fabricated steel.

Mr. Ginwala.—One of the railways has given us an estimate that this would increase their total expenditure by 1 per cent.—I mean that is their figure. We have to examine them as to how they arrived at that figure.

President.—As regards questions 5 and 6, I do not think we can get any further.

Mr. Kale.—There is one question that I want to ask. We have been told that an increase of duty will naturally adversely affect your budget and that there will be an increase both in the capital programme and also in the revenue expenditure. I should like to ask you whether you would not get any relief on account of the increase of traffic that you will have, as a result of the expansion of the steel industry in India. You will have more traffic and consequently that will compensate you for the increased expenditure that you will have to incur on account of a rise in the import duty.

Mr. Clark.—Does that necessarily apply?

Mr. Kale.—I think larger quantities of raw material and finished products will be transported over your railway.

President.—The underlying assumption is that this industry would develop.

Mr. Clark.—Raw materials perhaps, but the steel has to be obtained and transported over the rails in any case whether imported or manufactured.

Mr. Kale.—But if protection is given, the industry will expand and a larger output will have to be transported over your railway.

Mr. Clark.—That is the idea and it may be our railway or some other railways.

Mr. Kale.—But the existing steel work is very largely covered by your railway and even the prospective works will, fortunately for you, be located in the vicinity of your railway, so that you will benefit very largely from the expansion of the steel industry. There will be considerable relief to you if the industry expands and gives you more traffic?

Mr. Clark.—There will be a certain amount of relief but very small.

Mr. Kale.—Will it be possible to make a calculation as regards this because Tatas told us that in the next three or four years they will increase their output to 450,000 tons, nearly three times what it is to-day. Assuming that their output is increased to 450,000 tons of steel, can you give us an idea of the compensating effect it will have?

Mr. Clark.—I can give you that—how much of that steel might, in the event of the import duty being raised, be used for railways and public purposes, what would be the quantities?

Mr. Kale.—I mean to say that the relief I am referring to is on account of the increased traffic that you will get if production is increased three times.

Mr. Clark.—The relief would depend on the market on which the finished material is placed. As regards raw material we should get a certain amount of additional traffic.

Mr. Ginwala.—In your case you are very favourably situated. The only steel works actually in existence is more or less dependent on you.

Mr. Clark.—The rates quoted are very low on raw materials.

Mr. Ginwala.—I know. The finished products have to pass over your railway.

Mr. Clark.—Yes in the case of Tatas'.

Mr. Ginwala.—In the case of the other industry you are in the vicinity. There also you will get considerable amount of raw materials and finished products.

Mr. Clark.—Very little of the outgoing finished materials.

Mr. Ginwala.—That has to be distributed over other railways?

Mr. Clark.—The point I make is that it all depends on the markets on which the finished products would be placed.

Mr. Ginwala.—But a certain percentage must pass over your line.

Mr. Clark.—Not necessarily.

Mr. Ginwala.—In Tatas' case everything must pass through your railway.

Mr. Clark.—My point is this: it is extremely difficult to make an estimate of the benefits that will accrue in consequence of the development of the steel industry and which will neutralise any disadvantage that we may suffer owing to the imposition of a higher tariff. A certain amount of benefit will accrue but it is very difficult to estimate what it will be.

President.—As regards question (6) will you tell us what your view on the subject is?

Mr. Clark.—It is beneficial to the country.

President.—Would it make any difference to the railways? If you would rather communicate your views about that when you send in your answers I do not think that makes very much difference.

Mr. Clark.—May I put that in my written statement?*

President.—Yes.

Mr. Clark.—May I modify what I said? It is desirable from the railway point of view provided that you can obtain your requirements of the same workmanship and the same quality and at the same price as you can obtain the imported material.

President.—You do not think there would be any compensating advantages to the railways in having the steel manufacture established in India so that the supplies may be got more quickly for certain purposes. You have got Tata's on your own railway system.

Mr. Clark.—That is an advantage in the particular instance of the B. N. Railway.

President.—It would also apply to the other railways as regards the possibility of obtaining what they want quickly.

Mr. Clark.—The works being situated on the B. N. R., any additional traffic that is developed from that railway's point of view is desirable, but I am not aware that there is any marked advantage to be derived by being able to obtain the steel requirements in this country rather than import them.

Mr. Ginwala.—During the war your home supplies were cut off?

Mr. Clark.—Yes. In that case it would be an advantage.

Mr. Ginwala.—Suppose war broke out in the neighbourhood of India and you wanted supplies for defence as quickly as possible, don't you think it would be of distinct advantage?

Mr. Clark.—Do you take that as essential from the Railway point of view?

Mr. Ginwala.—Yes, in so far as you are part of the national system.

Mr. Mather.—What are your views, for instance, on what we are putting as a more probable case? Suppose there was a big boom in the steel industry in England, there would be delays in getting your supplies from Home. Now if you purchased your supplies in India, even if there was a corresponding boom, would you not be able to induce manufacturers in

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**Vide* Statement I. C (6).

India to give you quicker deliveries than you could get from the English manufacturers?

Mr. Clark.—It is a very doubtful proposition.

Mr. Mather.—We have heard from members of engineering firms in Calcutta that in 1919 and 1920 in some cases it took them about 18 months to get deliveries because they were not favoured customers of the steel works and delivery was going partly by favour. Such things might happen again. Don't you think that in that case you would have more chance of inducing Indian firms to deliver quickly, or are you satisfied with the influence you have with English manufacturers?

Mr. Clark.—But somebody else would have to suffer for the benefit to the Railways.

Mr. Mather.—It might be not merely to your own interest but in the national interest that Railways should have steel quickly. You cannot exercise such influence so easily in other countries as you could on the Indian manufacturers. Have you any influence on the manufacturers directly?

Mr. Clark.—We are able to bring influence to bear at Home through our Board of Directors. But I don't think we are quite in the same position as the Engineering firms were in 1922.

President.—To go back a little to what you said originally, what they are suggesting is this, that if from the Railway point of view, and more specially from the point of view of your own Railway, it is desirable that the steel manufacture should be established in India, I take it it would be worth paying something?

Mr. Clark.—We are already paying in the form of the rates quoted.

President.—In the rebate rates?

Mr. Clark.—Yes.

Mr. Ginwala.—But they say that but for this arrangement the steel works would not have been started.

Mr. Clark.—But we are still paying.

President.—On the lines in which the works are situated, it is desirable you think?

Mr. Clark.—Yes, but we have already paid and we do not want to add to that

Mr. Ginwala.—To some extent you are able to buy rails somewhat cheaper from Tatas?

Mr. Clark.—We may have.

Mr. Ginwala.—You are paying Rs. 110 which is very much below the market rate?

Mr. Clark.—Yes, but at the date at which the contract was entered into the rate was an ordinary commercial rate. It has subsequently proved to be lower than current market rates but it might just as well have proved to be the reverse.

President.—We have suggested to you one or two points on this question and if that enables you to develop your opinion more we shall be grateful.

Mr. Clark.—I consider that if some form of protection is given it should take the shape of a bounty or subsidy.

President.—On the ground that that would not tend to increase Railway expenditure?

Mr. Clark.—It would not hit any consumer.

President.—Only the consumers are mostly railways!

Mr. Clark.—Partly, but it would affect largely the other consumers.

Mr. Ginwala.—On this question of bounties have you considered the fact that Tatas expect to manufacture about 425,000 tons of steel and that a large percentage of it will be railway materials and that therefore a considerable amount of the burden of the additional taxation will fall on rail

ways on the assumption that they carried out their programme. Therefore looking at it from your point of view, apart from other consumers, would it not be better if the situation was met by means of bounties—the railways being an industry which affected a larger field of industries than any other single industry?

Mr. Clark.—The Railways would of course be included in the customers to get the benefit of the bounty through the Tata Co.

Mr. Ginwala.—In your case don't you make a distinction? Your interest is so important as affecting the general industrial interests in the country that whatever happens, railway materials may more conveniently be protected by means of bounties, because otherwise it may be necessary to increase your rates and fares?

Mr. Clark.—The effect of that would have to be examined before I decide that any increase of rates and fares would be necessary. Is it your suggestion that if a bounty be given to steel manufacturers in this country to enable them to compete favourably with imported steel, that no increase would result to the consumer?

Mr. Ginwala.—You wish to establish the proposition that if steel was protected it would so increase your expenditure that it would necessitate an increase in freights, etc, but we have not reached that stage yet and any answer that you give now to this question (No. 7) would be rather premature to that extent because you really do not know what the result would be?

Mr. Clark.—I do know that my working expenses will gradually increase—it may be a small percentage.

Mr. Ginwala.—Supposing you found that your expenditure was increased by 10 lakhs of rupees a year, would that necessarily compel you to revise all your tariffs?

Mr. Clark.—It might be necessary to revise a portion of it.

Mr. Ginwala.—I hope you will be able to give us more detailed information on this point.

Mr. Kale.—Has it struck you that the expenditure of the Government of India on bounties will react unfavourably upon the tax-payers and the tax-payers will have less money to spend upon railways—his travel, his transport and so on—and in that way even bounties are bound to react unfavourably upon railways and you must choose between import duties and bounties.

Mr. Clark.—It seems to me that import duties or bounties are bound to react unfavourably on railways, but bounties are likely to react less unfavourably than import duties.

Mr. Kale.—To my mind the adverse effect of the import duty is more obvious than the effect of bounties because the effect of bounties are not present on the surface while the effect of the import duty is immediately obvious on the surface, but the effect on the consumer and the tax-payer is likely to be the same.

Mr. Clark.—If spread over on a wider basis it would not be felt so much.

Mr. Kale.—It is very difficult to say what the effect will be: even bounties are sure to have some effect and that effect will perhaps take place, even in the case of railways, in lowering your revenue for instance.

Mr. Clark.—I think it is more likely in the case of import duties.

Mr. Kale.—In one case your expenditure will increase and in the other case revenue would go down.

Mr. Clark.—I am thinking of all the steel imported and of the possibility of a bounty being given or import duty being raised on all the steel manufactured in this country, not only on similar steel as is now manufactured by Tatas.

President.—In answer to question 3 you say "We do not build wagons from raw materials in our shops but only erect wagons imported in parts."

Would you be able to give us any information as to the cost of erection of wagons in India?

Mr. Clark.—We have given you that, in statement 5.

Mr. Ginwala.—For what year are these figures?

Mr. Clark.—They cover the years 1921 and 1922.

Mr. Ginwala.—Is there any wagon of the A—1 Type?

Mr. Clark.—The nearest to A—1 would probably be D. Type. We have no A—1 wagon.

Mr. Mather.—Have you any wagons similar to the 750-type?

Mr. Clark.—We have no information.

Mr. Mather.—The 750-type covered goods wagons?

Mr. Clark.—Standard wagons are all lettered.

Mr. Mather.—This apparently was a type which was used before the recent standardization.

Mr. Clark.—I don't know.

Mr. Ginwala.—The point I was trying to clear up was this: in the list of English cost and other costs that you have given in answer to question 5, what figure corresponds to the D. type?

Mr. Clark.—We have put all covered wagons together. These are all D type wagons that we have put in answer to question 5.

Mr. Ginwala.—The reason why I am asking you about this is that we have heard a good deal about A—1 type wagons. D type represents more or less the A—1 type for your Railways?

Mr. Clark.—Yes, that is a covered wagon.

President.—Would it be correct to say that the price of a 'D' wagon would not vary more than 5 or 6 per cent. from the price of an A—1 type wagon? Are they comparable to that extent?

Mr. Clark.—I should say not more than 10 per cent.

President.—Which would probably be the more expensive?

Mr. Clark.—That I cannot say.

President.—Perhaps you could find that out for us and let us know.* It is important to compare the figure with what we have received from the Standard Wagon Co.

Mr Ginwala.—These are, as you say, figures for 1921-22. As you know there was some complaint with regard to orders not being placed in India Can you give us the corresponding cost for 1922-23 and for the pre-war year 1913?†

President.—Have you ordered wagons in 1922-23 for the covered four-wheelers? If you could give us the price for that it would be useful.

Mr. Clark.—Tenders were called for in the financial year 1922-23.

President.—The Railways purchased on the last occasion 3,000 wagons from Great Britain.

Mr. Clark.—Do you want the latest information we have got in regard to the cost of wagons most recently put on the line?

Mr. Ginwala.—The last lot which was purchased and distributed all over the line.

Mr. Clark.—We make our own purchases.

Mr. Ginwala.—Very well, corresponding to the Railway Board purchases this year.

President.—The nearest comparable thing to October 1922 when the Railway Board wagons were ordered; that is what we want.

Mr. Clark.—The difficulty is that for their orders placed in 1922-23 our corresponding orders would be 1923-24; they are not on the line yet.

* *Vide* Statement I. D (5).
† *Vide* Statement I. D (6).

Mr. Ginwala.—But you are building them?

Mr. Mather.—None of them have arrived in the country yet?

Mr. Clark.—No.

President.—If you could give us the information as to the price of a 'D' type wagon erected in India it would be useful to us.*

Mr. Ginwala.—For the purposes of comparison, can you give the pre-war type, say for 1913, of wagon which would correspond to your D wagons.*

Mr. Clark.—Yes.

President.—In your answer to question 5, first of all you give the cost of underframes, wheels and axles, etc., complete. Then in the fourth column, you give the cost of underframes. If we deduct the latter from the former, do we get the cost of wheels and axles?

Mr. Clark.—Yes.

Mr. Ginwala.—In India wheels and axles are not manufactured. Would Rs. 5,707 represent the price if you purchase the wagon locally?

Mr. Clark.—It represents the price of the complete wagon, *minus* wheels and axles.

Mr. Ginwala.—Are these Indian erection charges incurred in your own workshops?

Mr. Clark.—Yes.

Mr. Ginwala.—You don't erect them on a contract basis?

Mr. Clark.—No.

President.—Does that include overhead charges?

Mr. Clark.—It includes all charges.

Mr. Mather.—As far as your costing system is concerned, would it be the same as that adopted by a private firm submitting a tender?

Mr. Clark.—The same system.

Mr. Mather.—You have included all the charges that they would include?

Mr. Clark.—Yes, excepting the interest on capital.

Mr. Ginwala.—Have you included depreciation?

Mr. Clark.—Yes, indirectly.

Mr. Ginwala.—At what rate have you taken the exchange?

Mr. Clark.—Market rate—approximately Rs. 15 per pound.

Mr. Mather.—In your answer to question 6, I see no entry at all against (*h*) to show the wrought iron used in the manufacture of K. G. type and D. type wagons. I take it that these types of wagons are B. N. Railway designs or are designed by your Consulting Engineers in which the nature of every component part is definitely laid down in the specification?

Mr. Clark.—Yes.

Mr. Mather.—So that if an order were placed for such wagons, the wagon building firms would necessarily have to use the same distribution and same kinds of materials as shewn in your design?

Mr. Clark.—Yes.

Mr. Mather.—The wagon costs supplied to us by the Standard Wagon Co. and Jessop's include appreciable charges for wrought iron. Can you tell us why you do not show any use of wrought iron in your wagons?

Mr. Clark.—That is a point I should like to refer to my technical adviser.†

Mr. Mather.—If you bear that in mind and let us know, it would be of assistance to us.

Mr. Clark.—Yes.

Mr. Mather.—Your answer to question 7 does not entirely cover all that we wanted to know. There are two British standard specifications for axles. One specification allows basic steel and another acid steel.

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* *Vide* Statement I. A. (5) and I. D. (6).

† *Vide* Statement I. D. (7).

Mr. Clark.—I must refer that point to the Mechanical Engineer.

Mr. Mather.—It is not a question of departing from British standard specification.

Mr. Clark.—No, I quite understand.

Mr. Mather.—Our point is that if your technical advisers consider that your running conditions are such that you must adopt the British Standard specification which only allows acid steel to be used for axles, then that would mean, that steel for these articles could not be made out of Indian pig iron. On the other hand, if your technical advisers were satisfied that your traffic conditions could be satisfactorily met by the adoption of the British Standard specification which allows basic steel, it would mean that at some future time it might be possible to make these things in India from Indian pig iron. We want to know what prospects there are in this direction.*

President.—As regards question 9, if your answer is not ready we can wait. The question is—do you think that it would be more economical in the long run for the Railways to develop their own wagon works?

Mr. Clark.—My answer to that is this: railways could undertake the manufacture and produce wagons at no higher rates than private firms, but there is so much fluctuation in their requirements from year to year that it would probably not be an economical proposition for individual railways to establish their own wagon construction works. Groups of railways might perhaps do so.

President.—Have you considered it from this point of view? Supposing each railway were to undertake the manufacture of its own wagons, would the annual requirements of the B. N. Railway form a large enough unit to make it economical to establish works for the production of your wagons?†

Mr. Clark.—It might prove more economical to build one's own wagons, but one cannot be sure of getting all the wagons one would require in that manner, unless one provided works to meet the maximum demand in any one year.

President.—I quite understand what you have told us: your demand, you say, might fluctuate and that your demand in a particular year might not be anything like your total output. I take it that in all manufactures there are certain minimum economic units for production and if you go below the limit your costs are bound to be higher. All the big works in England, I understand, are organised at a very much higher rate of production than probably the total demands of your railways would be. So that might be a point against the establishment of wagon works.

Mr. Clark.—The unit we are prepared to produce would not be large enough to be an economical proposition.

Mr. Kale.—Supposing one railway is not in a position to make all its wagons, will it not be a practicable proposition for a group of railways to undertake the same enterprise?

Mr. Clark.—Not necessarily, because the types of wagons might be different.

Mr. Kale.—The number of these types might be reduced by railways in combination.

Mr. Clark.—That is a point to which I have not given any consideration.

Mr. Kale.—We hear a good deal about the grouping of railways.

Mr. Clark.—That is rather academical.

President.—Does anything in connection with that occur to you?

Mr. Clark.—The point needs consultation between all railways before any opinion could be given.

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* *Vide* Statement II 2 (4).
† *Vide* also Statement I. D (8).

Mr. Kale.—I should like your personal opinion, apart from the opinions of others, on the subject of grouping of railways—on the manufacture of wagons by groups of railways.

Mr. Clark.—I cannot give any opinion without having a discussion with other railways. It seems that the possibility of wagon building by groups of railways might be discussed in order to ascertain the possible advantages and disadvantages.

Mr. Kale.—Can you not manufacture your wagons by groups, even though the railways might not be grouped together? I am not considering at the moment the question of grouping of railways, but only the question of combination of railways for building wagons.

Mr. Clark.—There are all sorts of factors which would necessarily arise and it requires long investigation and consultation with other railways.

President.—Questions 10 and 11 are closely similar to questions in the general questionnaire.

Mr. Ginwala.—In your answer to question 11, you have attempted to work out the effect of an increased duty in the case of wagons. Can't you also work out on the same lines that I indicated the effect on you of an increased duty on steel?

Mr. Clark.—We have given you in this form on the assumption that the duty would be increased by 33 per cent. and the cost of finished wagons would rise accordingly.

Mr. Ginwala.—We have indicated in question 10 that for each increase of 10 per cent. the cost would go up by Rs. 220.

Mr. Clark.—The cost of a wagon would rise by Rs. 500.

Mr. Mather.—I should be glad if you could inform us what is the most recent price for rails bought by your railways in England and also the pre-war price.

Mr. Clark.—The price of rails landed in Calcutta is Rs. 140 a ton.

Mr. Mather.—That is under a contract for 8 or 9,000 tons?

Mr. Clark.—Not less than that.

Mr. Ginwala.—Was it a long term contract with any British manufacturer?

Mr. Clark.—I do not know. I have merely called for the figures

Mr. Ginwala.—This rate seems to be considerably lower than the rate quoted in the Trade Journals.

Mr. Clark.—At the beginning of the year?

Mr. Ginwala.—Yes. The price quoted was £8-10-0 excluding freight, 10 per cent. duty, insurance and handling charges.

Mr. Mather.—Tatas have told us in their evidence "We have heard of quotations for British Standard rails at prices as low as Rs 132 landed. We understand that the Bengal Nagpur Railway secured 8,500 tons at this price." I should like to know whether it includes duty.

Mr. Clark.—We would verify and let you know.*

Mr. Mather.—Perhaps you can ascertain and let us know what it includes and also give us the latest pre-war price

Mr. Clark.—We will get you that.*

Mr. Mather.—I take it that with the rails you also ordered fish plates.

Mr. Clark.—Yes.

Mr. Mather.—Then you will be able to give us the price for the fish plates.

Mr. Clark.—Yes.

Mr. Mather.—I shall be glad if you will give us also the price of steel sleepers. Have you bought steel sleepers recently from England?

**Vide* Statement II. 2 (5) and (6).

Mr. Clark.—I have got it here. The price landed in Calcutta may be taken as Rs. 221 per ton with the present duty.

Mr. Mather.—It would perhaps be most convenient both to yourself and to us if you gave us the figures for rails, fish plates and sleepers in the form of a table.*

Mr. Clark.—Yes.

Mr. Mather.—Also such information as you can have on the nature of the contract. We are interested in the question of freight. You probably have in your records a statement of freight paid per ton.

Mr. Clark.—You want it for this specific contract for rails, fish plates and steel sleepers or for the latest pre-war contract?

Mr. Ginwala.—In this case I want to know whether this price which you quoted just now represents the market price at the time you took delivery or the time the contract was made. It seems to me much lower than the current prices about the time.

Mr. Clark.—It must refer to the period when the contract was entered into.

Mr. Ginwala.—If it was a year before that, the prices would be very much lower than the price we found in the Trade Journals.

Mr. Clark.—The prices were indeed low.

Mr. Ginwala.—There was a time sometime in 1922 when it reached a very low level.

President.—In the autumn it rose again, but in May or June it began to fall.

Mr. Ginwala.—Will you please let us know the date of the contract?

Mr. Clark.—Yes.†

Mr. Ginwala.—You have been using Tatas rails on your railway for a considerable time?

Mr. Clark.—Yes.

Mr. Ginwala.—Do you find them generally to be of suitable quality?

Mr. Clark.—Yes. I believe they are quite satisfactory.

Mr. Ginwala.—They are approximately similar to the rails imported from England?

Mr. Clark.—I believe so. I don't think that they have been put to the same test.

Mr. Ginwala.—They have not been in the track so long?

Mr. Clark.—That is so.

Mr. Ginwala.—Have you used Tatas structural steel, beams, angles, channels and so on to any great extent?

Mr. Clark.—That I cannot say.

Mr. Ginwala.—You could not say that from your experience?

Mr. Clark.—No. Would you like a statement on that?‡

Mr. Ginwala.—Yes. What are your total requirements of rails in a year?

Mr. Clark.—I can get you the figures as to what we have obtained in the past.

Mr. Ginwala.—And also your future requirements under your new programme for 5 years.§

Mr. Clark.—I am afraid I cannot give you that.

Mr. Ginwala.—Your rate with Tatas is Rs. 110 per ton.

Mr. Clark.—That is for the broad gauge.

* *Vide* Statement I. D (1).
† *Vide* Statement II. 2 (5) and (6).
‡ *Vide* Statement I. D (2).
§ *Vide* Statement I. D (3).

Mr. Ginwala.—Have you got any other contract with them besides the one for the broad gauge?

Mr. Clark.—There are different rates for narrow gauge.

Mr. Ginwala.—What are your rates for them?

Mr. Clark.—I do not remember.

Mr. Ginwala.—Your contract with Tatas is not equivalent to the whole of your requirements. You always have to buy some from the open market?

Mr. Clark.—Our contract with Tatas has not covered all our purchases.

Mr. Ginwala.—In that case will you give us the rates at which you purchased in the open market for the corresponding periods?

Mr. Clark.—I will endeavour to do that.*

Mr. Ginwala.—From what date was your contract with Tatas?

Mr. Clark.—I cannot remember.

President.—It was actually from 1st April 1920 for five years.

Mr. Ginwala.—It has been in operation for the last three years. You may give us the rates at which you purchased in the open market. You could give this information.

Mr. Clark.—But all this information will take a long time to collect.

President.—I am afraid we have to ask you for a good deal of information. We can hardly get on without that.

Mr. Clark.—We should prefer to give it as quickly as possible.

Mr. Ginwala.—With regard to your contract with Tatas for freight, you have got a long term contract I take it. Your position is that you have given fairly low rates. Can you give us an idea as to the difference it makes to Tatas?

Mr. Clark.—I think we can give you this information.†

President.—Mr. Ginwala wants to know not the difference in the total amounts paid but simply the difference between the rates for Tatas and the rates for the public.

Mr. Mather.—Tatas' contracts are for a fixed amount per ton mile. What are you charging the public now for carrying similar material not under contract?

Mr. Clark.—All raw materials are charged at one rate for Tatas.

President.—Does that mean that there is a variety of rates for a variety of articles.

Mr. Clark.—There is the same rate for the raw material but for the manufactured articles there are different rates.

Mr. Ginwala.—These figures in Tatas' contracts must have been worked out on some lines.

Mr. Clark.—We charge the public rate in the first instance. Then we take the ton mileage on the raw materials calculated at the concession rate and deduct that from the public rate. That is a rebate.

Mr. Ginwala.—It is not clear to us how much rebate they get per ton mile and what is the difference between the rate that you charge to Tatas and the rate to the public.

Mr. Clark.—But you do not charge one universal rate for the public Assuming manganese ore is despatched from A. we charge a different mileage rate from A to B. from the mileage rate we charge from A to Z.

President.—Could you take half a dozen different cases and work them out?

Mr. Clark.—Supposing that we put Rs. 50 lakhs as what the public pay and Tatas pay so much—would that do?

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* *Vide* Statement II. 2 (7).
† *Vide* Statement I. D (4).

Mr. Mather.—According to your agreement, on 28th August 1909, building materials and plant were carried from any station on your line to Kalimati at one-fifteenth pie per maund-mile. May we take it that at the time the contract was entered into, it was more or less the commercial rate for ordinary traffic?

Mr. Clark.—Not much below the ordinary rate.

Mr. Mather.—So you gave them a special concession even for that kind of traffic?

Mr. Clark.—That refers to the period of completion of works.

Mr. Mather.—Since then of course the general railway tariff charges have gone up. How does that figure compare with the figure you would be willing to give to a new industry starting now? Are we to take it that if this industry had not existed before, but had just come into existence, you would charge them about the same amount?

Mr. Clark.—It is very doubtful that we would enter into the same long term contract for the same low rate.

Mr. Mather.—In any case, supposing you gave concession rates now to a new company which is being started, would they be as low as you gave to Tatas in 1907 or 1908?

Mr. Clark.—I think they have to be during the currency of the contract. I mean we have to take into consideration all the circumstances affecting an industry starting exactly under similar conditions and see whether it has a claim to make a demand for a similar rate.

President.—Supposing another steel works were started at some point on your line would there be any legal obligation to give them the same rates?

Mr. Clark.—You must examine all the conditions and ascertain what would be reasonable to give.

President.—Would there be any legal obligation to give them the same rates as you give to Tatas under exactly the same conditions?

Mr. Clark.—I am every doubtful whether we would be or not. It is a very important question: we would probably not because of our changed conditions.

Mr. Ginwala.—I take it that Tatas' agreements are not affected by any increase that you make in the general tariff?

Mr. Clark.—No. They are fixed rates.

Mr. Ginwala.—We were given to understand that other companies doing similar business get the same rates from you—the Indian Iron and Steel Company for instance.

Mr. Clark.—They have got the same concession rates for raw materials. They work out at the same rate in actual practice.

Mr. Ginwala.—When you have two companies getting the same rates, can you reasonably refuse the same rates to a company starting now?

Mr. Clark.—It will be very difficult to say. It will mean very careful consideration.

Mr. Ginwala.—In other countries, such as Great Britain, they cannot give any undue preference if it comes within that. Will you be compelled to give the same rates?

Mr. Clark.—Yes.

No. 83.

Great Indian Peninsula Railway Co.

Written.

Statement I.—Replies to questionnaire No. II (a), from the Great Indian Peninsula Railway Company, dated 15th December 1923.

Your letter No. 271, dated 19th September 1923.

With reference to your above quoted letter I beg to reply as follows:—

(*a*) The weight and value of steel castings imported as such during the last two years	The total weight of steel castings imported for the use of the Mechanical Department is $15\frac{1}{4}$ tons at an approximate value of Rs. 22,471. The total weight of castings imported for the Carriage and Wagon Department was about 546 tons at an approximate value of Rs. 5,79,945. Besides the above 150 tons at a cost of Rs. 79,057 were imported chiefly for use for bearings of bridges.
(*b*) The chief purposes for which these castings were used	The castings imported for the Mechanical Department were principally used for the locomotive cylindrical buffer plungers and sockets. I attach a statement showing the chief purposes for which the castings imported for the Carriage and Wagon Department were used.
(*c*) The approximate weight and value of steel castings imported as parts of wagons, locos., etc., etc. . . .	Castings imported as parts of Carriage and Wagon stock was about 450 tons at an approximate value of Rs. 2,90,250. Those for locomotives amounted to $942\frac{1}{2}$ tons valued at Rs. 13,89,245, approximately.

These figures are not included in those given for Mechanical and Carriage and Wagon Departments in (*a*) above.

(*d*) Annual requirements for the next five years	The Chief Mechanical Engineer and Chief Engineer do not anticipate that the annual requirements of steel castings for their Departments will increase to any appreciable extent during the next five years. The Carriage and Wagon Superintendent on the other hand, is of opinion that a tendency will be for more cast steel to be used in the construction of goods and coaching rolling stock.

Reference paragraph 2 of your letter.—The output of steel castings from the mechanical shops during the past two years was $75\frac{3}{4}$ tons.

Reference paragraph 3.—The amount of steel scrap sold during the past 12 months was 3,250 tons and the amount of wrought iron scrap sold during the same period was 5,980 tons.

GREAT INDIAN PENINSULA RAILWAY COMPANY.

(Incorporated in England.)

STORES DEPARTMENT.

Statement showing the quantity and value of steel castings imported for the Carriage and Wagon Department during the two official years 1921-22 and 1922-23, and the chief purposes for which they were used.

Item No.	Articles.	Imported during the year 1921-22.		Imported during the year 1922-23.		Chief purposes for which used.
		Weight.	Invoice value.	Weight.	Invoice value.	
			£		£	
1	Axle boxes	81 Tons.	7,363	298 Tons	14,172	For carriages and wagons.
2	Brackets for parcel racks.	*Nil*	*Ni*	1½ Tons	126	For carriages.
3	Couplings for India rubber train pipes.	12 Tons	3,797	6½ Tons	1,087	For carriages, wagons and engines.
4	Fasteners for securing gauze blinds.	2 qrs.	37	1 Cwt.	65	For carriages.
5	Handles and locks	4 Tons	1,270	2½ Tons	549	For carriages.
6	Hinges	2,778 Nos.	607	5,800 Nos.	518	For carriage doors.
7	Horn cheeks	25 Tons	1,679	32 Tons	1,200	For bogie carriages and wagons.
8	Nozzles for train pipes	3 Tons	768	4 Tons	402	For carriages and wagons.
9	Pivot centres top and bottom.	24 Nos.	107	4 Nos.	15	For bogie carriages and wagons.
10	Plates face for axle boxes.	26 Tons	2,475	45 Tons	1,926	For carriages and wagons.

Statement II.—Replies to questionnaire No. II (b), from the G. I. P. Railway Company, dated 5th November 1923.

Your letter No. 272, dated 19th September 1923.

Reference your above quoted letter. I beg to reply to the questionnaire sent therewith as follows:—

Question 1.—The consumption of the kinds of steel included in the Messrs. Tata Iron and Steel Company's statement is estimated at about 16,000 tons annually for the next 5 years—nearly all on revenue account.

Question 2.—Our revenue expenditure during the five years would increase by 5 lakhs annually if the increased import duty were levied only on items of Question 1. The increase on capital expenditure on these items would be small.

Question 3.—If the higher import duty was charged on fabricated steel as well our revenue expenditure would be increased from its present amount by from 3 to 5 per cent. and capital open line expenditure by from 5 to 7 per cent.

Question 4.—I consider that the increase of expenditure would be of such a magnitude as to render an increase in rates and fares necessary or to prevent a reduction in rates and fares which might otherwise have been possible.

Question 5.—In construction the cost of steel and iron forms a much larger proportion of the total capital cost and the result of an increase in import duty would have the effect of increasing the cost of construction from 8 to 10 per cent. and, I consider, would retard the construction of railways in India.

Question 6.—Yes, if it means cheap steel and iron.

Question 7.—If it is found impossible to establish the steel and iron industry without protection I consider that the protection given should take the form of a bounty.

Statement III.—Replies to questionnaire No. II (?), from the G. I. P. Railway Company, dated 7th November 1923.

Your letter No 313, dated 25th September 1923.

Reference your above quoted letter. I beg to reply to the questionnaire sent therewith as follows:—

Question 1.—The total number of wagons in service on this Railway is 19,667. Of these the main types are as follows:—

Open Wagons—	
4-wheeled	4,518
Bogie	221
Covered Wagons—	
4-Wheeled	11,620
Bogie	1,041

Question 2.—Our annual requirements of new wagon stock of main types for the next five years are:—

	Open.	Covered.
Capital	243	243
Revenue (Renewals)	125	125

Question 3.—It is not our practice to build wagons in our own shops. Occasionally, when a special type is required, the work is undertaken by us

Question 4.—To date 200 wagons built in India have been purchased.

Question 5.—

(a) C.i.f. Indian port *plus* landing charges, freight, insurance and duty (without wheels and axles): prices 1922-23.

	Rs.
Open wagon C-2 type	3,112
Covered wagons, A-2 type	3,067

(b) Do. do. finally erected and ready to run (without wheels and axles): prices 1922-23.

	Erected in G. I. P. Works.	Erected by private firms.
Open wagons, C-2	5,020	None have been erected.
Covered wagons, A-2	4,980	

The details of cost of erection in G. I. P. Shops are:

	Open.	Covered.
Paint and oil	22	43
Labour	100	120
Supervision on labour	34	441
Indirect charges	11	14
	167	218
Contingencies	8	11
TOTAL .	175	229

Question 6.—The tare weights of open and covered wagons are approximately identical. The thicker body sheets in open wagons counterbalance the additional superstructure in the case of covered wagons. The approximate weights of component parts according to different classes of metal are given below:—

	T.	C.	Qr.	lbs.
A. Total weight of wagon	10	7	2	0
B. "B" Class steel	0	7	3	19
C. "D" Class steel	1	9	0	22
D. Steel castings	0	12	2	6
E. Spring steel	0	8	2	5
F. Steel plates and sheets	2	10	0	11
G. Structural steel	3	4	3	0
H. Wrought Iron		*Nil.*		
I. Iron castings	0	1	0	10
J. Mild steel	1	3	0	24
K. Miscellaneous A. V. B. gear, rivets, bolts, etc. .	0	10	0	15

Question 7.—We are not considering the use of basic open-hearth steel for wagon axles, tyres and springs. I am aware that the British Standard Specifications mention that either acid or basic steel can be used; the alternatives have been considered by our Consulting Engineers who decided on acid and this I am informed, by my technical adviser, is a sound decision.

Question 8.—I think that the establishment of a wagon building industry in India is desirable. It is, of course, understood that the industry must be on sound lines, producing an article as good as the English one at approximately the same prices.

Question 9.—I do not think that it would be desirable for each Railway Administration to develop wagon works.

Question 10.—Assuming that it is necessary to give assistance to wagon companies I consider that the assistance should be given in the form of a bounty.

Question 11.—If assistance were given to wagon companies in a form which increased the cost of wagons to Railways to any considerable extent then the result would be an increase in Railway working expenses which would prevent or postpone a reduction in rates and fares and would also retard the construction of new Railways.

Statement IV.—Letter, dated 22nd December 1923, from the Agent, G. I. P. Railway, to the Tariff Board.

As requested by the Tariff Board at their interview with the Agent of this railway on the 28th November 1923, I submit the following further information required by them:—

(a) Cost, insurance, freight, custom charges for rails, steel sleepers, wagons (underframes), girders, loco engines, loco boilers, fishplates, c.i. pots and c.i. chairs imported during 1911-14 and 1920-23.	Statement (Annexure A) is attached giving the information.
(b) No. of wagons ordered on the current year's budget on the Railway Board's call for tenders for 1922-23.	540 wagons have been ordered against the current year's budget on the Railway Board's call for tenders.
(c) A copy of the works orders issued in our Carr & Wagon shops for the erection of goods vehicles by our own Staff was called for and the Board desired to know what supervision charges were actually charged off to these jobs.	A copy of the works orders issued is attached *. The supervision charges actually charged off to these jobs are—
	Shop charges.—Includes wages of Chargemen, Maistries, coolies working in Shops, leave time with full pay allowed to all Mechanics and to all staff when shops are closed on public holidays. 25% on the actual outlay incurred on erection of wagons are charged on account of this head under Labour.
	General charges.—Includes wages of coolies employed on general work, Drivers of stationary and shop engines, Yard Shunters, Pointsmen, Muccadums working in yard, sick time of Mechanics and Workshop men including injury time and Pasteur Institute time, put off duty on account of infectious disease, Munshi allowance to Mechanics, pay allowed to workmen on volunteer service, stock-taking, making coffins, wages of timekeepers, Tailymen, Local house allowance and special local allowance paid to them, House allowance to peons of the time-office. These are calculated at the rate of 44% on wages and shop charges outlay and divided in equal proportion under wages and stores expenditure, *vide* para. 1375, page 336 of the Agent's Handbook, as shown in the first three items and *plus* extra 3% grain compensation allowance and 5% for electrical energy. In addition to this 5% for machinery charges is levied on these jobs to cover the expenditure of wear and tear of the machinery of the shops. When the wagons are constructed on Capital Account 7% indirect charges are levied to meet the

* Not printed.

	rent and heavy repairs of machinery and that only when the cost of the work done in the shops exceed Rs. 1,000 *vide* para. 291, Chapter IV of State Railway Open Line Code, Vol. I Pro. Issue.
(*d*) Carriage and Wagon Shop rate of wages in 1914 and in 1923. What sum of money is represented by a 5% rise in our present wages bill, including in this all items shown as wages in Capital and Revenue Accounts ?	Please see statement (Annexure B) sent herewith. A 5% rise in our present wages bill will amount to Rs. 21,58,000 per annum.
(*e*) Whether we are going to be in a position to market every year the amount of steel scrap given in our letter No. S. 9-3 of 2nd November and the reasons for the rather exceptional amount of wrought iron which we are able to put on the market.	It is not possible to say whether we are likely to market the same amount of steel scrap every year, as it depends on the scrap released by Departments. The reasons for the rather exceptional amount of wrought iron which we are able to put on the market was due to the fact that quite 70% of it was mild steel scrap returned as iron and as the latter was going out of use the percentage of mild steel to iron would consequently increase.

ANNEXURE A.

Statement showing weights of material and average costs and freight, etc., per ton received during the following years, from England.

	1911-12.					1912-13.					1913-14.				
	Weight	Cost	Freight	Cost, average rate per ton	Freight, average rate per ton	Weight	Cost	Freight	Cost, average rate per ton	Freight, average rate per ton	Weight	Cost	Freight	Cost, average rate per ton	Freight, average rate per ton
	Tons	£	£	£ s. d.	£ s. d.	Tons	£	£	£ s. d.	£ s. d.	Tons	£	£	£ s. d.	£ s. d.
Rails	19,868	111,820	14,660	5 12 7	0 14 9	20,663	122,742	15,629	5 18 10	0 15 2	38,667	258,067	28,604	6 13 6	0 14 10
Steel sleepers	2,035	13,485	1,372	6 12 6	0 13 6	3,109	22,710	2,210	7 6 1	0 14 3	1,307	10,386	963	7 18 11	0 14 9
Girders	..	..	..	..	..	.	..	..	..	.	1,445	21,998	4,153	15 4 6	2 17 6
Fish plates	1,134	8,747	837	7 14 3	0 14 9	1,356	11,341	1,000	8 7 3	0 14 9	2,208	19,745	1,628	8 18 10	0 4 9
C. I. Pots	4,378	18,433	2,906	4 4 2	0 13 3	17,328	96,911	14,186	5 11 10	0 16 4	44,923	248,517	31,152	5 10 8	0 13 10
C. I. Chairs	14,538	55,782	9,335	3 16 9	0 12 10	9,147	50,325	5,987	5 10 0	0 13 1	1,793	8,704	1,364	4 17 1	0 15 3

	1920-21					1921-22					1922-23				
	Tons	£	£	£ s. d.	£ s. d.	Tons	£	£	£ s. d.	£ s. d.	Tons	£	£	£ s. d.	£ s. d.
Rails	22	380	43	17 10 0	1 19 1	10,888	112,552	11,848	10 6 9	1 1 9	7,544	59,629	7,544	7 18 1	1 0 0
Steel sleepers	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Girders	54	1,500	202	27 15 7	3 14 10	738	23,850	2,585	32 6 4	3 10 1	..	..	..	..	..
Fish plates	..	..	..	..	..	644	7,418	684	11 10 4	1 1 3	632	7,189	761	11 7 6	1 4 1
C. I. Pots	32,157	460,189	65,986	14 6 3	2 1 0	28,744	377,932	31,336	13 3 0	1 1 10	2,821	22,925	2,820	8 2 6	1 0 0
C. I. Chairs	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..

ANNEXURE B.

Carriage and Wagon Department.

Statement showing rates of wages paid to shop staff in 1914 and 1923.

	Pay in 1914.	Pay in 1923.
Foremen	400–500	550—650
Chargemen	127—275	140—425
Fitters	36— 48	74— 86
Blacksmiths	42 – 58	74— 93
Carpenters	36— 42	60— 74
Coolies	13— 14	23— 26
Machinemen	36— 54	60— 86

Statement V.—Letter dated 11th January 1923, from the Agent, G. I. P. Railway, to the Tariff Board.

In continuation of this office letter, dated 7th January 1924, I send herewith a statement showing figures of the cost of wagons and locomotives for three years before and after the war.

Statement showing Engines, boilers and rolling stock and average costs and freight per ton received during the following years from England.

	No.	Weight	Cost	Freight	Cost, average rate per ton	Freight, average rate per ton
	1911-12					
		Tons	£	£	£. s. d.	£. s. d.
Wagons	344	1,941	38,416	1,919	19 15 10	0 19 9
Coaches	49	846	15,175	1,150	17 18 9	1 7 2
Wheels and Axles	884	1,129	21,725	988	19 4 10	0 17 6
Engines	38	3,233	119,600	8,827	36 19 10	2 14 7
Boilers	23	344	15,251	996	44 6 8	2 17 11
	1912-23					
Wagons	665	5,231	106,935	8,269	20 8 10	1 11 7
Coaches	55	948	16,637	1,422	17 11 0	1 10 0
Wheels and Axles	1,550	1,979	38,091	1,732	19 4 11	0 17 6
Engines	36	3,118	138,566	10,123	44 8 10	3 4 11
Boilers	24	343	16,970	1,071	49 9 6	3 2 5

	No.	Weight	Cost	Freight	Cost, average rate per ton	Freight, average rate per ton
1913-14						
		Tons	£	£	£. s. d.	£ s. d.
Wagons	960	7,485	197,716	11,083	26 8 4	1 9 7
Coaches	97	1,470	37,232	2,990	25 6 7	2 0 8
Wheels and Axles	2,308	2,964	63,758	3,890	21 10 2	1 6 3
Engines	76	6,778	219,634	21,700	32 8 1	3 4 0
Boilers	24	311	20,684	895	66 10 2	2 17 7
1920-21						
Wagons	632	8,631	412,350	42,628	47 15 6	4 18 9
Coaches	40	693	64,404	5,199	92 18 8	7 10 1
Wheels and Axles	1,424	1,913	77,964	6,456	40 15 1	3 7 6
Engines	41	4,891	634,594	58,583	129 14 11	11 19 7
Boilers	25	289	53,479	2,171	115 16 11	7 10 3
1921-22						
Wagons	138	2,270	109,416	9,837	48 4 0	4 6 8
Coaches	..	..	..	..	..	..
Wheels and Axles	276	371	15,111	1,252	40 14 7	3 7 6
Engines	..	..	..	..	..	..
Boilers	18	227	36,256	1,704	159 14 7	7 10 2
1922-23						
Wagons	753	4,365	249,032	15,763	57 1 0	3 12 3
Coaches	..	..	..	..	..	..
Wheels and Axles	1,506	2,000	60,240	5,000	30 2 5	2 10 0
Engines	1	49	7,482	292	152 13 10	5 19 2
Boilers	24	399	45,765	2,932	114 14 0	7 6 11

Oral evidence of Mr. R. McLEAN, Agent, Great Indian Peninsula Railway, recorded at Bombay on the 28th November 1923.

President.—I think perhaps it might be convenient to take each in turn of the replies which you sent us in reply to our three letters. Let us deal with the general questionnaire first. The reply to that is in your letter of 5th November 1923. Your reply to the first question is that you require only about 16,000 tons of steel of the kinds included in the Tata Iron and Steel Company's statement and that is your probable requirement for the next 5 years. Which is the most important item in making up that total?

Mr. McLean.—Rails and steel sleepers. Taking our five years programme rails and steel sleepers come to 64,000 tons, *i.e.*, 13,000 tons a year.

President.—So rails and sleepers are the most important items. Have you got figures to show how much of this is rails and how much sleepers?

Mr. McLean.—Roughly half and half.

President.—You had formerly, I think, a contract with Tatas for rails which ended in 1920-21. Was it just for one year?

Mr. McLean.—The contract was for five years. It was in force during the war when as the Railway Board took over all the output the contract was really inoperative We got the rails from the Railway Board supplies.

President.—There was just one year left to run after the control was taken off.

Mr. McLean.—Yes, and my recollection is that we got no rails in that year.

President.—Could you give us the figures for the price which the Railway Company had to pay for rails since the war, apart from the rails bought from the Tatas? Tatas have themselves given the figures of the prices paid to them.

Mr. McLean.—I have not got a list of all the prices paid but I have got here a statement of the most recent prices. The most recent price for rails from England was quoted on the 25th October of this year at £7-13-9 a ton f.o.b., and freight and landing charges brought the price up to £9-0-1. The freight came to £0-17-6 and landing charges to £0-8-10.

Mr. Mather.—What kind of rails are these?

Mr. McLean.—90 lb. flat-footed rails.

President.—These are the only figures that you have got at the moment?

Mr. McLean.—Yes.

President.—It would be useful if you could give us the other figures for the post-war years, I think.

Mr. McLean.—I shall have to get these compiled and send them to you.*

President.—How would that price landed in India at £9 compare with the pre-war price?

Mr. McLean.—I think it is slightly above.

President.—Do you anticipate that a price as low as this is likely to continue very long?

Mr. McLean.—To reply to that one has to anticipate the state of Europe in the near future. It is not possible for me to say.

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* *Vide* Statement IV (*a*).

President.—What I was thinking is this. After all, the general rise in the price level is at least 60 per cent. and if, in the case of a thing like rails, the increase in price is very much smaller, 15 or 30 per cent., it is always a question, I think, how far that state of things can continue, indefinitely.

Mr. McLean.—I am afraid I am not competent to reply to that. It is only the steel people who could reply to a question of that sort.

President.—In answer to question 2 you say "our revenue expenditure would increase by Rs. 5 lakhs annually if the increased import duty were levied on items of question 1." This represents the difference between 10 and 33⅓ per cent.

Mr. McLean.—It is our reply to the second question.

President.—I imagine it must be so because on working out the price per ton on that basis it comes to something like Rs. 131, whereas if it was the whole 33⅓ per cent. the price would be as low as Rs. 94 which seems out of the question. So, I take it, it must be the difference between 10 and 33⅓ per cent. duty. At the present moment you are not actually paying any duty at all on stores coming in.

Mr. McLean.—We are not actually paying.

President.—That was the result of the decision of the High Court in a suit brought by the Company and an appeal has been launched in the Privy Council. Of course until that is decided the present state will continue?

Mr. McLean.—Yes.

President.—In your answer to question 3 you say "If a higher import duty was charged on fabricated steel as well, our revenue expenditure would be increased from its present amount by from 3 to 5 per cent., and capital open line expenditure by from 5 to 7 per cent." The figures here are in percentages, whereas in the previous answer they are in lakhs?

Mr. McLean.—I may explain here that we had difficulty in replying to this question in the terms put "structural steel imported in a fabricated condition." What we assumed in giving our replies was that all steel will eventually be liable to a tariff, whatever tariff may be decided on, and on that basis we worked out the average proportion of our total expenditure on steel to our total expenditure for the year. The percentage we have given is the proportion of the expenditure on steel to our total working expenses.

Mr. Ginwala.—3 to 5 per cent. on the total revenue expenditure?

Mr. McLean.—Yes.

President.—Could you give the approximate figure of your revenue expenditure?

Mr. McLean.—Our revenue expenditure on the present scale is about Rs. 11 crores a year and our capital expenditure on the 5-year programme is approximately 4 crores a year or 20 crores for the five years. If the duty were increased to 33⅓ per cent. on all steel, we should have to spend Rs. 1 to Rs. 1·4 crores extra on capital account in that period. If we assume the figure at Rs. 1·25 crores in the five years then, in order to earn the ordinary standing charges of interest at 6 per cent., we have to get 7½ lakhs a year in net earnings, which means 30 lakhs a year in gross earnings. The nett earnings are the difference between gross earnings and working expenses. At present our working ratio is about 75 per cent., and, therefore, the net earnings represent only one-fourth part of the gross earnings. The interest at 6 per cent. on the 1¼ crores, the figure I have taken for capital, comes to 7½ lakhs a year. To meet this interest charge we must earn Rs. 30 lakhs. In addition we should have to earn, say, Rs. 45 lakhs to cover the additional ordinary Revenue expenditure or, say, Rs. 75 lakhs a year in all. The result is that we have to earn Rs. 7½ lakhs extra nett annually and to get that we have to take Rs. 30 lakhs gross.

Mr. Mather.—That is at the present ratio. You have the alternative of meeting it by an additional Rs. 30 lakhs of gross earnings by an increase in traffic or by increasing your rates to produce the extra Rs. 7½ lakhs.

Mr. McLean.—The increase in traffic is problematic: one anticipates increases of course, but extra earnings mean again extra expenditure and the return would in any event be reduced by payments for duty.

President.—But supposing there is a rise in the customs duty, you say you will find an increase in the working expenditure. I do not quite follow why you say that you assume that your gross revenue would have to increase by Rs. 30 lakhs in order to leave you another Rs. 7½ lakhs in revenue

Mr. McLean again repeated his previous explanation.

President.—It is not a question of actual working expenditure. It is a return on capital got to be met from revenue.

Mr. McLean.—Yes. This particular item.

President.—These percentages you have given—3 to 5 per cent.—they would include all the steel in your locomotives, etc.?

Mr. McLean.—These refer to ordinary working expenses and include all steel used for that purpose. We found it impossible to make any separation in terms of structural steel on the information we had.

President.—I quite understand your difficulty in trying to separate the different items, but it is of some importance to us to try and ascertain it to some extent. If you could give us, for instance, your probable expenditure on wagons and the probable expenditure on locomotives that would be useful.

Mr. McLean.—Our expenditure in the five-year programme on locomotives will be almost negligible, and thereafter our expenditure will depend on our policy. But for wagons I will give you the figures. For our five-year programme we have estimated to buy 775 goods wagons a year and coaching underframes 89 a year. The cost of these landed in Bombay but excluding duty is Rs. 36·5 lakhs a year for the wagons and 11·45 lakhs for the coaching underframes.

Mr. Ginwala.—Is that for a complete wagon?

Mr. McLean.—Yes. For all the integral parts of a wagon landed in Bombay, but excluding duty. The duty at 33⅓ per cent. is Rs. 12·17 lakhs on wagons and Rs. 3·81 lakhs on the coaching underframes. The present duty is Rs. 4·22 lakhs on the wagons and Rs. 1·14 lakhs on the underframes.

President.—Are you calculating the duty at 33⅓ per cent. on the whole value of the wagon, or on the steel in the wagon?

Mr. McLean.—On the whole imported price. A wagon is nearly all steel, and if the present duty were increased from 10 to 33⅓ per cent., we shall have to find Rs. 7·95 lakhs additional for duty on goods wagons and Rs. 2·67 lakhs on the duty on underframes or Rs. 10⅔ lakhs net.

President.—Would it be possible to give the other important items which contribute very materially to the increased expenditure?

Mr. McLean.—I do not follow.

President.—You said that it would cost you 3 to 5 per cent. on Rs. 11 crores: that would be something like Rs. 55 lakhs a year extra Revenue expenditure. What I have got really in mind is this. If we know what your principal items were, it might be possible for us to say that there was no need of putting the duty on these particular things, because they are not going to be produced in this country at all for some time. For instance, there is no one in India who can make wheels and axles. Although it may not be possible to make a minute separation, if we knew what the imported items were, we might be able, to some extent, to cut out what it need not include.

Mr. McLean.—We shall have to work that out specially. I can of course give you figures for steel work, girders, etc., *i.e.*, fabricated steel that is required on the 5-year programme. The money we expect to spend on that

is 80·16 lakhs on 26,720 tons of material and I calculate the rise owing to the increased duty at 18·75 lakhs.

Mr. Ginwala.—Is this capital or revenue?

Mr. McLean.—Very largely revenue—mostly renewals.

President.—I think probably the best way would be to take only the large items. You have got the large items which account for the really substantial expenditure. It would be of some use to us to know what the cost in their case is going to be. I do not want to give your office a lot of trouble in giving information which may not be of use to us. Mr. Mather knows exactly what we want and it would be of use if he could see your people about it.

Mr. Mather.—So far as I know the main things we would want are rails and fishplates, steel sleepers, wagons and fabricated steel. There are no other big items. You have already told us that the expenditure on locomotives will be negligible.

Mr. McLean.—We import practically no steel castings so that that will cover everything of any significance. I think I have got figures and can give you most of them.* But we shall be quite ready to place at your disposal any figures you may desire which can be readily compiled.

President.—You say " In construction the cost of steel and iron forms a much larger proportion of the total capital cost." I gather that you are now here distinguishing the capital expenditure on new lines from open lines?

Mr. McLean.—That is so.

President.—And the result of an increase in import duty would have the effect of increasing the cost of construction from 8 to 10 per cent.? Working on the basis of the 10 per cent. it comes to this, apparently, that the cost of the iron and steel is about 3/7th of your total capital expenditure on new construction. I don't know whether that is what the percentage you give seems to suggest.

Mr. McLean.—These figures were taken from two representative lines, one is the Majri-Rajpur and the other a section of the Itarsi-Nagpur Railway. The amount of steel, in these two sections, was estimated and the increase, if this duty were added, was put down in terms of rupees.

President.—What it must mean on that basis is that the steel and iron in these two cases must have been about 3/7th of the total expenditure. That is simply working on purely arithmetical calculation on the figures given. Does that include iron as well as steel?

Mr. McLean.—Iron is hardly used now-a-days.

President.—It is practically all steel now?

Mr. McLean.—Yes.

President.—Is not cast iron used to a certain extent?

Mr. McLean.—Not in the sections that we took. We are using steel sleepers as well.

President.—In answer to question 6—the question was whether the company considered it desirable that steel manufacture should be established in India—you say " Yes, if it means cheap steel and iron." Supposing it meant that owing to protection the prices went up for a certain number of years but ultimately became cheaper—it is rather hypothetical, I admit, but I put it to you on that basis—would the railway think that it would be worth paying something more in order to secure the eventual result?

Mr. McLean.—I take it the inference underlying that is that ultimately the cost of Indian steel will be less than imported steel. I should say that the railways would require a firm guarantee that that would happen before approving of a temporary increase in price.

* Not received.

President.—That is to say, you would look at the immediate result which is certain, rather than to the ultimate result which is not a certainty?

Mr. McLean.—The position taken up by the railways is this: For many years they have been told that the railway administrations have got to run their concerns as business propositions and as such they have to resist anything which in their opinion will put up their working expenses. There may be, and there often are, political and other reasons which do not come into the matter at all in deciding the question of tariff. Their view is that if the Government decide that the steel industry ought to be protected till it is on its own feet, it is safer to give that in the form of a subsidy or bounty.

President.—That is it should be done in a form which would not raise the railway expenditure?

Mr. McLean.—Yes, not directly.

President.—You had a good deal of difficulty, I take it, during the war in getting the supplies of the steel you wanted?

Mr. McLean.—Very great difficulty.

President.—Supposing there were another war, it would make a good deal of difference to the railways, would it not, if steel were manufactured in large quantities in India?

Mr. McLean.—It depends entirely on the nature of the war. After all the last war continued for 4½ years and the immediate results were felt for the best part of 7 years. Stocks of Railway equipment were depleted to equip overseas expeditions. But if you had no overseas expedition and there was only a short war, the railways have big resources on which they can fall back to keep them going.

President.—If the war was a short war you would not regard the absence of steel industry in India as a serious handicap?

Mr. McLean.—I should say no.

President.—You say that the railways hold a certain amount of reserve. That is to say they have always got a certain number of rails, etc., in stock?

Mr. McLean.—Yes.

President.—As regards the purchase of stores what is the present policy of the Company—I mean purchases in India?

Mr. McLean.—The policy of the Company is to buy in the cheapest market. If we get material in India which is as cheap as material from England, and of the same quality, we buy here.

President.—The Company are not subject to the ordinary Stores rules?

Mr. McLean.—They have their own rules.

President.—In that matter they are not subject to the control of the Government?

Mr. McLean.—No. Not entirely.

President.—Since the decision of the High Court customs duty is not payable on your imports. I take it that you ignore the Customs in deciding where you buy. Take the case of imported rails at £9 a ton, and if the Indian price is quoted to you at £9-5 you would purchase in England?

Mr. McLean.—I think we would, it being cheaper. But here I want to make a remark. The figures I gave you for the price of rails were quoted in London in October this year. We made a comparison between the prices after allowing the duty of 10 per cent. and the Railway Board's price and we found that even at a 10 per cent. duty the price of English rails comes to Rs. 148-8-0 at Bombay duty paid, whereas the Tata Company's rails at Bombay come to Rs. 167. So the effect is that the Tata Company have actually now got a tariff in their favour to the extent of 23½ per cent.

President.—I am afraid I do not follow. The price that the Railway Board pay is Rs. 156. How do you arrive at Rs. 167?

Mr. McLean.—We are taking the price at Bombay so far as the Great Indian Peninsula Railway is concerned. Tata's rails at Bombay cost Rs. 167 whereas English rails even after paying duty cost Rs. 148-8-0.

President.—The price paid last month, would that be effected by the current rate of exchange?

Mr. McLean.—Yes.

President.—These are sterling prices?

Mr. McLean.—Yes.

President.—For purposes of this calculation it is converted into Rs. 15 per Pound?

Mr. McLean.—Yes. 1—4*d.* to the rupee.

President.—We shall be indebted to you if you will let us have the prices your Company have been paying in the earlier years just to see how it has been varying. The f.o.b. prices actually quoted are very substantially below the trade paper quotations for heavy rails, even the export quotations.

Mr. McLean.—I think the trade quotation is generally for small parcels. If you buy a very big consignment it is very much cheaper.

President.—What was the quantity of rail ordered by you in this case?

Mr. McLean.—I think it would be about 16,500 tons. That of course is subject to verification. These are our requirements for the year.

President.—Your custom is to order your requirements for one year at a time?

Mr. McLean.—The indents go Home for the requirements of one year.

President.—Your order would be more or less for about one year's requirements?

Mr. McLean.—As a rule it covers our working year. It may so happen that the Board places orders in instalments.

Mr. Ginwala.—I would like you to work out for the Board what it would cost the shareholders of the Company if this duty was increased.

Mr. McLean.—I can say it would cost them nothing, because there is not likely to be any surplus profits before the contract expires.

Mr. Ginwala.—It may be that you will be able to make surplus profits afterwards?

Mr. McLean.—Yes.

Mr. Ginwala.—What is the capital cost of the line?

Mr. McLean.—Rs. 73 crores.

Mr. Ginwala.—What is the total capital held by the Company?

Mr. McLean.—£2,575,000. The actual distribution of surplus profits between the State and the Company is fixed by contract. $\frac{19}{20}$th goes to the State—$\frac{1}{20}$th to the Company.

Mr. Ginwala.—Is your working expenditure settled by contract?

Mr. McLean.—It is settled by the Railway Board who approve our budget year by year.

Mr. Ginwala.—Would you estimate it at 75 per cent. of your gross earnings?

Mr. McLean.—75 per cent. was the ratio last year. After the net revenue is computed it is devoted to the payment of interests on the Secretary of State's debentures, payment of interest on overdrafts and the guaranteed interest on the Company's capital which is 3 per cent.

Mr. Ginwala.—What would the surplus in a normal year come to?

Mr. McLean.—It has been a very small sum. It has never, I think, been more than 3 per cent. on the Company's capital, say, 12 to 15 lakhs a year.

Mr. Ginwala.—The Company's shareholders are guaranteed their 3 per cent.?

Mr. McLean.—Yes.

Mr. Ginwala.—What is the effect on their profits of any additional expenditure?

Mr. McLean.—Profits might be wiped out if there is an increase in working expenditure.

Mr. Ginwala.—If the Government guaranteed that, no question of bounty comes in at all?

Mr. McLean.—So far as the railways are concerned, I don't think they are interested in how a duty is applied. On general grounds many people hold that bounty or subsidy is better than duty. But if it raises prices the effect is much the same.

Mr. Ginwala.—Most of the property is Government property?

Mr. McLean.—Yes.

Mr. Ginwala.—Most of the profits are Government profits?

Mr. McLean.—Yes.

Mr. Ginwala.—Therefore the shareholders may well claim that they are entitled to some consideration on the ground that their surplus profits would be reduced. The point I am putting is that, assuming that 12 to 15 lakhs would be the normal surplus profits, if the shareholders were guaranteed that, it would be immaterial to them whether the protection is by means of a bounty or import duty?

Mr. McLean.—They would be debarred from the benefit of better administration of the property.

Mr. Ginwala.—You have taken your revenue expenditure at Rs. 12 crores. The total consumption of steel as far as we have got the figures now would mean an increase of about 30 to 50 lakhs a year.

Mr. McLean.—I have taken the average figure of 44 lakhs.

Mr. Ginwala.—That would include extra charges on capital?

Mr. McLean.—That is only revenue.

Mr. Ginwala.—What I mean to say is that the capital charge ultimately becomes revenue charge?

Mr. McLean.—Not on railways.

Mr. Ginwala.—But the sinking fund is revenue.

Mr. McLean.—We have no sinking fund.

Mr. Ginwala.—But your assets stand on the capital side of your book. Interest has to be paid out of the net revenue and to that extent it becomes a revenue charge?

Mr. McLean.—You have got to earn your standing charges.

Mr. Ginwala.—I was not able to follow your calculations—the capital charge of Rs. 4 crores a year on an average.

Mr. McLean.—Our expenditure in the next 5 years, I mean open line expenditure, is put down at 20 crores, that is at 4 crores a year. If the duty on steel is increased from 10 to 33⅓ per cent. we consider that it would mean an extra expenditure to the extent of 1 to 1¼ crores.

Mr. Ginwala.—On what basis is 5 to 7 per cent. worked out?

Mr. McLean.—On the analysis of our working cost worked out in the form of an index price from the Capital and Revenue Accounts. It was done with the help of Mr. Findlay Shirras in Bombay. Unless one is a railway man it is extraordinarily hard to analyse the account.

Mr. Ginwala.—Can you tell us approximately what the capital expenditure of 4 crores means, what is it spent on?

Mr. McLean.—Spent on new houses, revenue works, rolling stock and so on.

Mr. Ginwala.—How much steel is going to be used in that?

Mr. McLean.—We have actually got figures for the 5-year programme.

Mr. Ginwala.—We would like to have them.

Mr. McLean.—That we can give you.*

Mr. Ginwala.—That will enable us to see how much difference it would make to the Company. Do you say that you worked out this figure of 5 to 7 per cent. on Mr. Findlay Shirras' index price basis?

Mr. McLean.—The index price basis was used to work out the revenue figures.

Mr. Ginwala.—Having done that you calculate the interest charges on that, do you?

Mr. McLean.—We took this extra 1 crore to 1¼ crores as the average figure, and under the terms of the Government of India orders we are supposed to pay 6 per cent. on new capital that we expend on the railways, that is to say unless we can satisfy them that we are going to pay 6 per cent. they won't agree to our doing the work. We have got to show that the works which are covered by the new capital expenditure can fairly be expected to pay 6 per cent. I have taken 6 per cent. on this 1¼ crores to cover interest on that and this gives a figure of 7½ lakhs which we have got to earn in order to pay the extra duty on the capital. That means that on our present ratio we must earn 30 lakhs gross in order to get 7½ lakhs net. In addition to that 30 lakhs I have taken the additional revenue expenditure of 44 lakhs giving a total of about 75 lakhs. Due to the duty on steel going up to 33⅓ per cent., speaking generally, it would mean an increase in rates and fares all round of about 5 per cent.

Mr. Ginwala.—With regard to your revenue expenditure have you also got a similar list of your steel requirements?

Mr. McLean.—Yes, only for the bigger items.

Mr. Ginwala.—Will you supply us with that?

Mr. McLean.—Yes. In fact I have already given you the bigger figures.

Mr. Ginwala.—That comes to 3 to 5 per cent.?

Mr. McLean.—Yes.

Mr. Ginwala.—Then the 4 crores a year, I take it, includes your wagons, locomotives and other things?

Mr. McLean.—Includes all additional wagons, locomotives, etc. It is purely capital expenditure.

Mr. Ginwala.—Then, the 577 wagons you mention are included in the 4 crores of rupees?

Mr McLean.—Yes.

Mr. Ginwala.—And the rails also?

Mr. McLean.—No, only some of them.

Mr. Ginwala.—How do you divide your charges in spreading them out?

Mr. McLean.—The revenue budget covers the actual cost of running our railway, plus any renewals we may have to do, for instance renewing worn out girders, worn out trucks, etc.

Mr. Ginwala.—You do not have anything to add for your depreciation charges?

Mr. McLean.—No. What Railways do is to charge renewals etc. to revenue. That is, revenue bears each year the depreciation falling due for renewal that year. Then the capital budget is the budget covering all new additional works, additional rolling stock, new houses, anything additional.

Mr. Ginwala.—That is perfectly true. What I wanted to know is, is it a fair way of calculating the annual charges? You do not take the life of the article into account; say, if it is going to cost Rs. 6,000 taking it at 30 years we have Rs. 200 a year.

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* Not received.

Mr. McLean.—You get the same result by working the other way. We give a certain life to a certain equipment.

Mr. Ginwala.—Take the case of rails.

Mr. McLean.—Rails are nearly always used up in some other sections of the line or in new capital works.

Mr. Ginwala.—I am trying to draw a distiuction between your method and the commercial method. Your figures show 6 per cent. but if it is kept on a commercial basis where you write off a certain amount of depreciation that means very much less.

Mr. McLean.—That means you set aside a fund for the amortizement of the capital. I don't see how it can be cheaper to pay interest and redeem capital than merely to pay interest.

Mr. Ginwala.—In that case you will add that to your capital but no doubt you would keep a depreciation fund account and in a certain number of years of course the plant would redeem itself.

Mr. McLean.—That is to say, the depreciation fund account would be met from revenue so that revenue will have to meet the redemption of this extra money plus the interest on it, one or the other.

Mr. Ginwala.—That is true, but at the same time the charge may be smaller, because it may be spread over a longer period.

Mr. McLean.—It cannot be smaller in the long run. You cannot redeem capital plus interest for less than you pay in interest. You are redeeming capital and interest for the most of that period.

Mr. Ginwala.—Take the life of rails. If the charge on rails is spread out over 30 years on the capital expenditure—What is the life of your rails?

Mr. McLean.—Rails vary from 40 to 50 years.

Mr. Ginwala.—If you had a sinking fund you would be able to pay it off in 30 years, but all the same your assets would remain for the remaining 20 years so that your books may show that it costs you 5 lakhs of rupees whereas as a matter of fact your assets were 2 lakhs of rupees.

Mr. McLean (stuck to his previous statement that this would not be cheaper for Revenue in the long run.)

Mr. Ginwala.—With regard to rails and sleepers I understood you to say that the tonnage was about equal.

Mr. McLean.—Very nearly equal.

Mr. Ginwala.—Is it the practice of the Company to use steel sleepers as far as possible?

Mr. McLean.—Steel sleepers are more economical in the long run than wooden sleepers. They last for anything between 25 to 30 years; wooden sleepers may not last for more than 10 years. It depends entirely on the class of wood.

Mr. Ginwala.—Isn't there a movement now to use more wooden sleepers on the railways?

Mr. McLean.—Not at the present price. There are certain railways which cannot use steel sleepers. They have not got flat-footed rails: steel sleepers are more suitable for that type.

Mr. Ginwala.—Are steel sleepers manufactured in this country at present?

Mr. McLean.—Not at present.

Mr. Ginwala.—Can you use basic steel for that?

Mr. McLean.—There is no reason why they should not be made. It is not a very difficult business.

Mr. Ginwala.—With regard to this price of £9 do you consider that as the normal price of rails?

Mr. McLean.—Well, as I said before, I feel I am not competent to give an opinion on that; it depends so much on general trade.

Mr. Ginwala.—Did you import any rails actually during the war?

Mr. McLean.—At the beginning, but none at all towards the end of the war.

Mr. Ginwala.—Can you give us any figures?

Mr. McLean.—I can get the figures for you, from 1914 to 1918.

Mr. Ginwala.—And also the subsequent figures. Can you give us the figures also for other kinds of steel, such as girders or any fabricated steel imported during the same period?

Mr. McLean.—I can give it to you in general terms of engines and stocks and possibly all girders and permanent way material but to give it in another form would undoubtedly mean a vast amount of work.*

Mr. Ginwala.—I don't want the engines.

Mr. McLean.—If you want for sleepers, rails, girders, wagons I can let you have it in that form.

Mr. Ginwala.—Would you give us similar figures during the war and after the war?

Mr. McLean.—Yes.

Mr. Ginwala.—What is the practice of the Company with regard to the purchase of steel materials. Do you send an indent to your Home Board?

Mr. McLean.—Yes.

Mr. Ginwala.—I suppose you include all your estimates in your budget?

Mr. McLean.—We frame our budget and get our estimates sanctioned where necessary, by the Home Board and the Railway Board. Having got the sanctioned estimates, we indent for the material. The Home Board call for tenders and place the order.

Mr. Ginwala.—Therefore to the extent to which these purchases are made there, they don't take into account any duty at all?

Mr. McLean.—I don't quite follow.

Mr. Ginwala.—According to Government instructions, duty must be taken into account, even though it is not actually paid, but I take it that Government rules do not apply to you?

Mr. McLean.—We would not take into account the duty unless it is payable. As I said we buy in the cheapest market. We only take the actual cost to ourselves in placing our orders.

Mr. Ginwala.—Then when you purchase in this country I don't think that you take the duty into account in comparing prices?

Mr. McLean.—We compare the import price with the price we actually have to pay here.

President.—If you don't pay duty, it does come in.

Mr. McLean.—But the ordinary importer has to pay duty.

President.—If you buy imported stores, it would.

Mr. McLean.—Then we take the actual price offered as against the price of the imported article and buy whichever is more advantageous.

Mr. Ginwala.—You would not make any allowance for the duty?

Mr. McLean.—Not unless it is payable.

Mr. Ginwala.—I think that you stated in reply to the President that it might be necessary to increase rates and fares by a certain percentage.

Mr. McLean.—Yes.

Mr. Ginwala.—Then you explained to us on what basis that would be done.

Mr. McLean.—Yes, 5 per cent.

Mr. Ginwala.—As between passenger fares and freights?

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* Statement IV (*a*).

Mr. McLean.—No. For instance, one cannot possibly say that there would be a flat increase of 5 per cent. If you increase the rate on a particular commodity and if it loses its market, it ceases to be sold. So, you would have to increase your rates only on such traffic as would bear this additional burden.

Mr. Ginwala.—It may happen that the poor class of consumers may not have to pay at all.

Mr. McLean.—Quite conceivable. If he is paying as it is his utmost and if the additional rate would only reduce the volume of traffic, he would not have to pay. On the other hand if we think that he could pay, without the volume being reduced, we would make him pay.

Mr. Ginwala.—What are the principal commodities that pass through your line?

Mr. McLean.—Our principal commodities are cotton, manganese, and seed-grains. There used to be coal. At the moment there is a slump in coal traffic.

Mr. Ginwala.—Is that cotton for export?

Mr. McLean.—Cotton for use in the country and for export.

Mr. Ginwala.—Do seed-grains come from the Central Provinces?

Mr. McLean.—Central India, Cawnpore and Nagpur.

Mr. Ginwala.—In your answer to question No. 5, you have stated that it would have the effect of increasing the cost of construction from 8 to 10 per cent. I don't understand that.

Mr. McLean.—That was taken from the estimates of two representative sections of lines under construction at the present moment, Majri-Rajor and a section of the Itarsi-Nagpur Railway.

Mr. Ginwala.—What is the length of the line?

Mr. McLean.—The first is 16 miles and the other, I think, 25 miles, but I am not quite sure.

Mr. Ginwala.—Are there many bridges on these lines?

Mr. McLean.—It is very difficult to say. You have got no standard by which you can say bridges are many or few. We are developing the country by a new line. We put in as many bridges as are necessary.

Mr. Ginwala.—Are you affected by strikes and lock-outs in connection with the purchase of steel materials?

Mr. McLean.—We have been. There were delays in supplies owing to strikes.

Mr. Ginwala.—From that point of view it may be an advantage to you to have a local industry?

Mr. McLean.—If you can prevent strikes and lock-outs in this country.

Mr. Kale.—Supposing the Government of India decide to put an additional duty on steel, and the price of your rails and other steel materials goes up, what is the legal position under the contract?

Mr. McLean.—I think that Government have full power.

Mr. Kale.—As between the Government of India and your shareholders can the shareholders decline to bear any additional burden?

Mr. McLean.—I should not like to make a definite reply, but I think not

Mr. Kale.—So that the Government of India can force you to undertake a certain amount of expenditure?

Mr. McLean.—The Government of India have recently put a duty of 10 per cent. on things which were duty free before.

Mr. Kale.—The only consideration that may weigh with the Government of India will be that they will get nothing out of railways. That is all?

Mr. McLean.—I think that the consideration that will weigh with them will be not that they may get nothing, but that their own revenue will be very greatly reduced.

Mr. Kale.—So far as your Company is concerned, you can claim only the guaranteed interest. Supposing profits vanish, can you complain and say that on account of this additional expenditure, profits have vanished?

Mr. McLean.—I believe there would be a case for compensation on grounds of equity. I should not like to say anything on the point of law involved.

Mr. Kale.—Not on the point of law under the contract?

Mr. McLean.—No.

President.—I take it that the legal position is this: that the law declares that the customs duty shall not be payable on Government stores and the High Court have decided that railway stores are Government stores. If the Government of India simply repeal that law, they themselves would have to pay, although in their case it is only a book transfer. I don't see how any question could arise as to the competence of the Indian Legislature to legislate in that way.

Mr. McLean.—I think that Prof. Kale's point was that railways would probably have no redress under their contracts, if duties up to any extent were put on imports.

President.—It seems to me very unlikely that contracts could bind the power of the Indian Legislature.

Mr. Kale.—The contracts might limit the power of Government to impose any additional burden on the Company which would destory all its profits.

Mr. McLean.—Government have powers under the contract but they are generally based on technical grounds for purely technical reasons. My own impression is that Government have full powers to impose any customs duty.

Mr. Kale.—Do you think that the financial position of Indian railways would be affected under a scheme of what they call the separation of Indian Railway Finance if this additional duty is imposed on steel?

Mr. McLean.—The financial position of railways must be affected to the extent that they are unable to pass the increased expenditure on to the public. They may be able to pass on a certain part of it. They may be able to pass on all of it, but that is problematical. The experience of the last year or two has rather led one to think that even the present rates are high for certain classes of traffic, and any further increase will reduce still more the volume passing.

Mr. Kale.—You will excuse me for asking this question. Perhaps you have noticed the criticism against your Company that it has a very costly administration? Do you think that it is possible for you to reduce your expenditure so as to be able to meet the additional cost of the increased duty on steel?

Mr. McLean.—What particular charge are you referring to? By whom was it made?

Mr. Kale.—I think that it has been brought out if I am not wrong in some Government publication.

Mr. McLean.—Can you refer me to that report?

Mr. Kale.—I will look up if you like.

Mr. McLean.—I should say that any charge of that nature is really unfounded.

Mr. Kale.—The criticism is to the effect that your Railway was expected to earn more, or some remarks of that kind.

Mr. McLean.—The Great Indian Peninsula Railway has not been paying more because it is so situated that its working expense must be high.

Mr. Kale.—But I think that it has tried to reduce its expenditure?

Mr. McLean.—It has reduced very considerably in common with the Railways.

Mr. Kale.—I have seen also remarks to the effect that the G. I. P. Railway has reduced its expenditure and has brought it down to the level which it was expected to reach and so on. Do you think that the farthest limit of economy has been reached?

Mr. McLean.—My own impression is that we have done nearly all that we can in the direction of economy. I might add that economies have been rendered possible because of the slackness in traffic, but if traffic increases, expenses may go up.

Mr. Kale.—Once more if traffic increases, it might be possible for you to earn a little more than you have been doing?

Mr. McLean.—It is quite possible.

Mr. Kale.—The effect of your economies might be visible in that case?

Mr. McLean.—Yes.

Mr. Mather.—Can you tell us whether the price that you have quoted for rails in connection with this order for last month includes also the necessary fishplates?

Mr. McLean.—The figure quoted is only for rails. The price for fishplates is quoted separately.

Mr. Mather.—There are some cases in which both are quoted together. You have not got the figure for fishplates?

Mr. McLean.—No.

Mr. Mather.—I presume these are British rails?

Mr. McLean.—Yes.

Mr. Mather.—You were describing the method by which you would effect your purchases. What method do you adopt to compare the price quoted by your London office with the price that might be quoted in India?

Mr. McLean.—If I want to make a comparison, I cable Home asking for quotation.

Mr. Mather.—You do that from Bombay?

Mr. McLean.—Yes.

Mr. Mather.—In all cases where you think that it is possible to get an article satisfactorily in India, you make enquiries here and cable Home for quotations and compare them yourself?

Mr. McLean.—As a rule anything manufactured in England we buy in England because we know from experience that it is cheaper to get it that way than to buy in this country.

Mr. Mather.—Since rails are made in England, do you mean that you might continue ordering automatically in England without enquiry in India?

Mc. McLean.—I know each year what Indian rails are going to cost.

Mr. Mather.—You don't make enquiries from Tatas?

Mr. McLean.—Very often Tatas' themselves give me the information.

Mr. Mather.—Would that apply to other things?

Mr. McLean.—Not necessarily. Take the case of wagons. Simultaneous tenders are called for by the Railway Board in England and India and we abide by their decision in the matter. If they decide English wagons are cheaper, then we buy those wagons. They give us these figures and we act on them.

Mr. Mather.—Have you placed your orders for steel sleepers in England for the coming official year?

Mr. McLean.—Yes.

Mr. Mather.—Have you ascertained from Tatas' what their price would be?

Mr. McLean.—Tatas' don't make them.

Mr. Mather.—They will be in a position to do so next official year.

Mr. McLean.—The sleepers we are getting now would be used in this cold weather.

Mr. Mather.—I am speaking of the order which you placed last month.

Mr. McLean.—That is part of this year's programme. The moment they arrive in this country, they will be laid on the track.

Mr. Mather.—I thought that they were to be used next year.

Mr. McLean.—No.

Mr. Mather.—You have been asked by the President and other members of the Board to give certain prices. I am afraid I am not quite clear whether you are also going to give us pre-war prices for rails.

President.—It would be useful if you would give us figures for two years before the war.

Mr. McLean.—I take it you want representative contract quotations. You don't want details. They will be numerous.

Mr. Mather.—We don't want small purchases. You have given us the English f.o.b. price of last month and you say that your impression is that it is very little higher than the pre-war price.

Mr. McLean.—Yes.

Mr. Mather.—The published market quotations for English rails before the war were £6-2-6 a ton. That means an increase in the f.o.b. price of about 25 per cent. We would like to know what you actually paid.

Mr. McLean.—I will give you actual figures.*

Mr. Mather.—Would you mind doing that for rails and fishplates?

Mr. McLean.—No.

Mr. Mather.—Also for steel sleepers?

Mr. McLean.—I don't think that we bought steel sleepers in that period. There was a long period in which we were using sleepers made of cast iron.

Mr. Mather.—It is fairly important in connection with the question of development of the steel industry. Obviously if there is a tendency on the part of Railways generally, or even a few of the bigger Railways, to change from wooden sleepers to steel sleepers, it is going to expand the internal market for steel. Can you say whether it has become a set policy on your Railway?

Mr. McLean.—It has on my Railway. We have gone into the question of supply of wooden sleepers. It has been very unsatisfactory for many years. We often bought sleepers which were never delivered. At the present price, steel sleepers are very much cheaper. The undertaking will gain in the long run. Although the immediate cost is higher, steel sleepers will last longer.

Mr. Mather.—Obviously you cannot bind yourself for an indefinite period, but the indications are that it will be the policy of the Great Indian Peninsula Railway to use steel sleepers?

Mr. McLean.—So long as the price of wooden sleepers remains at its present level and the steel sleepers are sold at about the same price, it would be our policy. We buy whatever gives the best service for the money in the long run. Of course it may be that other Railways who are in the timber area may find it cheaper to use wooden sleepers.

Mr. Mather.—We should not assume that the same policy will be adopted by other Railways. That only gives us information about your Railway. It is more or less bound up with this question. Am I right in believing that until recently it was your general policy on your heavy line to use bull head rails with cast iron chairs?

Mr. McLean.—Yes.

Mr. Mather.—You say that you are changing over to flat foot rails?

Mr. McLean.—Yes.

* Statement IV (*a*).

Mr. Mather.—That is important. So long as you used bull head rails, you could not use steel sleepers.

Mr. McLean.—No.

Mr. Mather.—In that case you have practically ceased to use cast iron chairs except for renewals?

Mr. McLean.—That is right.

Mr. Mather.—Did you import these chairs to any great extent?

Mr. McLean.—Almost all are imported. We made a certain number ourselves. We found it cheaper and more satisfactory to import.

Mr. Mather.—Perhaps you could add that to the list of articles for which you are going to give us prices.

Mr. McLean.—Yes.*

Mr. Mather.—There was another point of considerable interest in your statement about the price for the recent order for rails. You tell us that the freight is 0-17-6*d.* a ton. It is rather lower than any freight quotation that has been put before us.

Mr. McLean.—These are actual figures sent to me by my Board of Directors.

Mr. Mather.—I am not suggesting that they are not accurate. It rather leads me to ask whether you could also give us your pre-war freight rates. Perhaps for all these articles if you could give us f.o.b. price and other charges in each year, it would enable us to form an opinion as to what was happening in the freight market.

Mr. McLean.—Yes.

Mr. Mather.—Do you use any alloy steel crossings at all?

Mr. McLean.—We have not so far, but we would probably do so when we electrify.

Mr. Mather.—Not on your steam lines?

Mr. McLean.—No. We will probably have to use manganese steel crossings. That has not yet been decided.

Mr. Mather.—That is coming up for decision within the next few months?

Mr. McLean.—Yes.

President.—When did the contract between the Secretary of State and the Company expire?

Mr. McLean.—It actually expires on the 30th of June 1925.

President.—You have mentioned proposals for the electrification of the line in the vicinity of Bombay. Is the expenditure included in the five years' programme?

Mr. McLean.—Yes.

President.—Would your estimate of the extra cost of steel include electrical machinery and so on?

Mr. McLean.—Yes.

President.—If it includes electrical machinery and other things which could not be made in this country, they would not be affected by an increase in duty?

Mr. McLean.—It is very difficult to separate out details; it is almost impossible.

Mr. Mather.—You have included the expenditure on steel in your five years' programme?

Mr. McLean.—Yes, we have included it in the twenty crores. The cost of steel is about 4 crores, and the extra cost of a 33⅓ per cent. duty about 1⅓ crores.

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* Statement IV (*a*).

President.—Then, we might take up your letter of 7th November about wagons. In your answer to question No. 5, you have given us costs of both open wagon C/2 type and covered wagon A/2 type.

Mr. McLean.—I had the figures given there re-examined, as I was not sure of them. I found that the latest contract price (c.i.f. *plus* landing charges, freight, insurance but excluding duty) of an open wagon C/2 type without wheels and axles was Rs. 3,112, and that of a covered wagon A/2 type Rs. 3,067: whereas the prices of the same wagons finally erected and ready to run with wheels and axles were Rs. 5,020 and Rs. 4,980. There is a very substantial difference.

Mr. Mather.—May we take it that these early figures were actually incorrect or are they for different contracts?

Mr. McLean.—I think that they are for different contracts. I was unable to clear it up in the time at my disposal.

Mr. Mather.—Have you got the date of the contract to which the latest figures apply?

Mr. McLean.—I have not got the actual details of the contract, I am afraid.

President.—Is this the contract which was made last year?

Mr. McLean.—Yes.

President.—Is it by any chance included in wagons for which the Railway Board called for tenders?

Mr. McLean.—I think that it is the same.

Mr. Ginwala.—Do these other figures remain the same: details of cost, etc.?

Mr. McLean.—I have not given details of cost of erection. They remain practically the same. They are local charges more or less because a great deal of it we do by contract.

President.—We rather want to be able to exclude wheels and axles in order to compare with the figures given to us at Calcutta by the wagon building people. If we add the cost of erection to the first set of figures shall we practically get the grand total cost apart from wheels and axles?

Mr. McLean.—Do you mean the figures given in our letter of 7th November c.i.f. open wagon, etc.?

President.—Yes. If I add to that the cost of erection at the Great Indian Peninsula workshops that would give me a figure for the open wagon of about Rs. 3,300, and very much the same for the covered?

Mr. McLean.—That is right—without wheels and axles.

President.—Do you happen to remember at all the price you were paying for wagons pre-war?

Mr. McLean.—No.

President.—What we were told by the wagon building people at Calcutta was that the figure quoted from England was actually below the pre-war price.

Mr. McLean.—I know it is very near the pre-war price.

President.—There is again the question whether it is possible, in view of the general increase in cost in all directions, that wagons could definitely be supplied at about the pre-war price. In connection with the other letter you have said that you would give us the price of wagons also. That will also be of assistance. I think it is a very important question that comes in there as to whether, assuming the Indian companies should make wagons, you would continue to be able to buy the wagons at a price as low as that.

Mr. McLean.—You have a good deal of competition in the wagon building industry.

President.—Entirely in England?

Mr. McLean.—We consider tenders from anywhere.

President.—Do the Continental manufacturers in fact tender?

Mr. McLean.—I do not think they have recently, but before the war they used to tender.

President.—Do you happen to know whether your Railway ever purchased wagons from the Continent?

Mr. McLean.—I do not know.

President.—As between various manufacturers in England you think there is at present keen competition in wagon building and there will always be?

Mr. McLean.—That is another question. I have no knowledge what the wagon building industry is going to do and I should hesitate to give any opinion on the matter.

President.—You have given in answer to question 6 a statement of weights of various materials included in a wagon and I compared these with the details given by the Standard Wagon Co. for A-1 wagon which is the wagon they themselves are building. The total weight of the material is 10 tons and 7 cwts. Does that include wheels and axles?

Mr. McLean.—It must include wheels and axles.

President.—Yes. I could not otherwise explain the figures of the total in a A-1 wagon according to the wagon company.

Mr. Mather.—Under which item have you got wheels?

Mr. McLean.—It comes under B class and D class steel, wheels, tyres, etc.

Mr. Mather.—I think they come under different specifications altogether.

Mr. McLean.—What do axles come under?

Mr. Mather.—They have a separate specification of their own. They do not come here at all.

President.—Let me put the question in a more general way. How does the A-2 covered wagon compare with A-1?

Mr. McLean.—It is a little bit bigger I think in dimensions and the body. All these wagons are very much alike: their total weight differs very little.

President.—Would you expect when tenders are called for in any year that the prices for the A-1 and A-2 wagons would differ materially?

Mr. McLean.—Not materially.

President.—Within 3 to 4 per cent.?

Mr. McLean.—Yes, within 5 per cent. at the outside.

President.—I was very doubtful about it just because of the difference in weight shown in the figures.

Mr. McLean.—The standard wagons are designed to give an equivalent per foot run which is the same. So for greatly differing commodities there are different types of body.

President.—In your erection charges what sort of things would indirect charges cover?

Mr. McLean.—That I could not tell you.

President.—Because apparently they do not seem large enough to cover anything of the nature of overhead charges such as depreciation and so on.

Mr. McLean.—Probably they do include power and water, but nothing for depreciation.

President.—It is likely that what are usually called overhead charges are not included in it. If they are done by a private company surely they would include these?

Mr. McLean.—Quite so.

President.—These wagons that were purchased in 1922-23, can you give us the number of wagons covered by that order?

Mr. McLean.—I have not got the exact figures with me.

President.—All I want to know is the number that you actually ordered.

Mr. McLean.—I am afraid I have not got it handy, but I will send it to you afterwards.*

President.—You have told us in your answer to question 9 "I do not think that it would be desirable for each Railway administration to develop wagon works." Have you considered at all the possibility of more than one Railway combining for this purpose?

Mr. McLean.—It is not in my opinion a function of Railway Companies to manufacture on any large scale. The manufacture ought to be done by outsiders. It is not to the advantage of the Railways to manufacture.

President.—Is that the view of the Directors of the Company?

Mr. McLean.—I do not think the Directors would be in favour of going into wagon building on a large scale. Ordinarily we are against wagon building. Our activities are pretty fully employed on carriage building which is a thing we must do ourselves. They are mostly wooden bodied: the underframes are imported and the rest of the work is done here.

Mr. Ginwala.—With reference to the price you have given of Rs. 3,112 c.i.f. in what form does the wagon come?

Mr. McLean.—It comes in the form of underframe built up ready, and fittings and springs separately packed and sheets and members of the frame packed separately and ready for riveting.

Mr. Ginwala.—What is the amount of work you have got to do?

Mr. McLean.—Merely bolting it together and riveting. Nothing more. Of course the painting has to be done here.

Mr. Ginwala.—It seems as though there is some disparity between the figures that we have got from the wagon people here and the actual price at which you have purchased. According to their figures, the cost of the materials, including duty and freight, comes to Rs. 3,100. That includes 10 per cent. duty. Then of course they have to build the wagon; they have to do the riveting and various other things, whereas according to you the only thing to be done is riveting.

Mr. McLean.—You are possibly dealing with wagon building in India.

Mr. Ginwala.—Yes. They say that the materials for the wagon cost Rs. 3,100 and you have got the whole thing for Rs. 3,112.

Mr. McLean.—These figures were handed to me just at the time I was about to come here and I did not check them.

Mr. Ginwala.—We want to know how the British manufacturers are able to do it.

President.—I think there is a little misunderstanding. Mr. Ginwala is not at the moment dealing with the question of mere assembling in this country. His particular point is a different one, namely, that the manufacturers of wagons in India say that the materials landed at their works for the wagons cost about as much as the price paid to the British Company for landing wagons in India.

Mr. Ginwala.—This includes the duty and without it the figure will come to Rs. 2,800.

Mr. McLean.—Might I say here that my figure is c.i.f. including the duty, freight and landing charges, but excluding wheels and axles.

Mr. Ginwala.—But this also excludes wheels and axles. I think that there is something radically wrong in the figures.

Mr. Mather.—I take it that there is nothing wrong in the figures, because the cost of a A-1 wagon appears to be Rs. 3,667 from the Standard Wagon Co.'s figure and Rs. 3,109 is the cost of the finished wagon landed in India.

Mr. Ginwala.—At present I am looking at the comparative prices of these materials which, according to these people, come to Rs. 3,100 as against the price of the finished wagon subject to riveting and so on of Rs. 3,067 you have given us.

* Statement V.

Mr. McLean.—This is the actual cost of the wagon when put into our shops. Then we have got erection, painting, riveting, wheels and axles, etc., and these would bring the figure to Rs. 5,020.

Mr. Ginwala.—What do the wheels and axles cost?

Mr. McLean.—Rs. 1,400 including duty at 10 per cent.

Mr. Ginwala.—That comes to Rs. 4,467 *plus* 229, the other charges that you mention?

Mr. McLean.—These come to Rs. 4,741 and customs comes to Rs. 307. I think they have not included it in this figure of Rs. 3,067 they have given. That comes to Rs. 5,048 as against Rs. 5,020, which you gave.

Mr. Ginwala.—I think it is just as well to verify these figures because this is a very important point.

Mr. Mather.—Rs. 3,067 for the wagon parts, *plus* landing charges, etc., 1,400 for wheels and axles, 229 erection costs, 307 duty. These come to Rs. 5,003 as against your total of Rs. 4,997.

Mr. McLean.—In any case I shall have these figures verified and send them on.*

Mr. Ginwala.—There is this difference which I do not understand, that practically the price of the finished wagon comes to a little more than the cost of the materials. You have given Rs. 229 as the cost of erecting a covered wagon. Supervision and labour is Rs 441. Does that include supervision and labour at the works?

Mr. McLean.—Chargemen and foremen and labour employed on the job.

Mr. Ginwala.—Do you keep a works cost sheet?

Mr. McLean.—We have what we call work orders—items of work to be done. Against this expenditure is booked. It is not actually a cost sheet: it is merely a method of debiting our works charges.

Mr. Ginwala.—Have you given the whole of this work on contract?

Mr. McLean.—We do a little ourselves and most of it we do by contracts.

Mr. Ginwala.—How do you pay for such contracts?

Mr. McLean.—We pay per wagon. May I explain that the erection of wagons is a thing that can be done with simple equipment. You can do it in the open air. You require some spanners and tools to rivet. But the matter is so simple—it is practically all labour charges.

Mr. Ginwala.—You have told the President that it does not include any depreciation or interest.

Mr. McLean.—Yes.

Mr. Ginwala.—One of the complaints on the part of wagon builders here was that they did not really know how your costs were arrived at in calculating the total charges.

Mr. McLean.—There is very little depreciation in it. There is no plant involved except a few tools and a siding.

Mr. Ginwala.—Can I have a look at the work order sheets as you keep them?

Mr. McLean.—Yes.

Mr. Ginwala.—You do not erect wagons except in this form? Do you import materials and construct?

Mr. McLean.—We do not construct at all. We may build a special body for experimental purposes but you may say generally that our work on new wagons is confined to erection pure and simple, and most of this is done by contractors.

Mr. Ginwala.—As regards coaches?

Mr. McLean.—The underframes come from England as a rule. We do not make any underframes.

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* Not received.

Mr. Ginwala.—What British Company was this that supplied you with these wagons?

Mr. McLean.—That is a thing I must ask you to allow me to send in later.*

Mr. Ginwala.—In this case I take it that the Railway Board purchased all the necessary number of wagons on behalf of the railways?

Mr. McLean.—The Railway Board called for tenders, and when they came in we were given the opportunity to accept them on our own behalf on the tenders received by the Director General of Stores for India.

Mr. Ginwala.—This was rather unusual?

Mr. McLean.—It was rather unusual and we are going to do the same this year.

Mr. Ginwala.—In the case of previous years it was the Home Board?

Mr. McLean.—In previous years the Home Board called for tenders for their own supplies.

Mr. Ginwala.—Can you suggest any reason why you got these wagons at such a low price?

Mr. McLean.—For very much the same reason that so many undertakings are trying to sell their articles in order to keep their works going and keep their labour provided for. They are prepared to go without profit.

Mr. Ginwala.—Then this may be taken as a purely temporary feature of the business?

Mr. McLean.—Not necessarily. If they discover that they can get output they can reduce prices, and reduce their profits.

President.—But in reply to the next question you say that they may find that they might be able to work out at a reasonable profit.

Mr. McLean.—Isn't that all a matter of output? They can go on making smaller profits on a larger output. I don't suggest that they will, but there is a possibility that they may.

President.—Have you any reason to believe that they have been able to increase their output?

Mr. McLean.—I have no figures on the point.

President.—All that I have seen recently in the trade papers and so on are to the effect that they are complaining of extreme slackness of business.

Mr. Ginwala.—Have you at any time purchased wagons from the Continent?

Mr. McLean.—I am not aware of that.

Mr. Ginwala.—We have been told that Continental people would not be able to tender because their standard specifications are different.

Mr. McLean.—Yes, they work to different specifications.

Mr. Ginwala.—I want to ask you a few questions about the increase in the wages and so on. Would you be able to give us a table showing how the wages have increased, say, of the foreman class, superintendents and some typical classes of workmen?

Mr. McLean.—I will give you that as compared with the pre-war rates.†

Mr. Ginwala.—With regard to coal I should like to know how you purchase your coal, whether you buy your coal through the Mining Engineer to the Railway Board?

Mr. McLean.—Through the Mining Engineer to the Railway Board.

Mr. Ginwala.—And he determines the price?

Mr. McLean.—He calls for tenders. The contracts are placed on public tenders and we select what we think is the most reasonable value for the money.

Mr. Ginwala.—Do you import your coal sometimes?

* Not received.

† Statement IV (c).

Mr. McLean.—We did two years ago when there was trouble in the Indian coalfields and the supply of coal went down. For many years we have depended on Indian coal.

Mr. Ginwala.—Is the increased price of coal largely responsible for your increased expenditure?

Mr. McLean.—To a certain extent. The rise of a rupee per ton of coal means a rise of 12½ lakhs of rupees in my expenditure in a year.

Mr. Ginwala.—And the rise in labour?

Mr. McLean.—I don't quite follow.

President.—If you had a rise in wages can you tell us what increase it means to the work?

Mr. McLean.—I can get you a figure. Is it only labour of all classes or do you wish me to take the whole of my salary bill?*

Mr. Ginwala.—I think that will be the best thing. We only want to get an idea as to how the increase in wages will affect your Railways. During the strike, I take it, you were very much inconvenienced for want of coal?

Mr. McLean.—We ran down to very small stocks and had to buy Welsh coal and South African coal.

Mr. Ginwala.—As a result, I take it, you tried to exercise economy?

Mr. McLean.—We were trying to economize all round.

Mr. Ginwala.—Does not that affect your efficiency in working?

Mr. McLean.—It is not possible to say for some time how economies will affect efficiency. So far as I can see up to the present there has been no reduction in efficiency.

Mr. Ginwala.—When are the tenders for next year due for wagons?

Mr. McLean.—I don't know when the Railway Board propose to issue them, I take it in the beginning of next year, April or May probably.

Mr. Mather.—Tenders have been called for, I think.

Mr. Ginwala.—Does it make any difference to the Company whether tenders are accepted in January, February or April?

Mr. McLean.—It makes no difference except that one has to place an order for delivery the year after. But the grant for the year is voted by the Assembly with effect from the 1st of April. If there is delay in getting orders placed, there may be difficulty in getting these wagons on to the road the same year.

Mr. Ginwala.—It has to be budgeted for?

Mr. McLean.—Yes. The budget is voted in the end of March.

Mr. Ginwala.—It would be prudent as a matter of fact to wait till it was passed?

Mr. McLean.—We have to wait because the Government of India would not grant us money until the Assembly had voted it.

Mr. Kale.—You have told us that the establishment of a wagon building industry in India is desirable. Do you think that the Railway Companies will, directly or indirectly, benefit by this industry apart from the general national interest?

Mr. McLean.—Unless they can buy wagons of equal quality as cheaply or more cheaply than they can import, they do not stand to benefit. It presupposes wagons of similar quality at no greater price than you can import.

Mr. Kale.—So that it will not be worth while to encourage the coming up of such an industry?

Mr. McLean.—It is not an advantage.

* Statement IV (*c*).

Mr. Kale.—You say that you do not build wagons here but coaches only. Why is that?

Mr. McLean.—Coach work is a matter of intricacy and somewhat difficult. It requires labour that has been at that kind of work for a long time and it also requires a very high class of timber.

Mr. Kale.—It is more economical to build in your own works than outside?

Mr. McLean.—There is no outside firm in India to build carriages efficiently at the present moment.

Mr. Mather.—In connection with the carriage question I have been studying the trade returns to try to ascertain what the quantity of wagons imported into the country is. The returns put the carriage and wagons together without making a distinction in any way. For all practical purposes you do not import carriages. Can you say whether that is the general practice with the Indian Railways?

Mr. McLean.—We have two classes of vehicles, one is a wooden body with steel sheets outside built on a steel underframe: the other type is a special stock made of steel which is merely riveted together and painted here in Bombay.

Mr. Kale.—You import that?

Mr. McLean.—We import that carriage. The sides and roof come in separate sections. They are riveted here and lining put on it. It is a very simple matter indeed.

Mr. Ginwala.—Do you import all your carriage underframes?

Mr. McLean.—Almost without exception.

Mr. Ginwala.—What is the procedure about paying the duty now? Supposing you order a wagon in this country. They import the materials for you to build these wagons: do they have to pay 10 per cent. on the materials or because they are doing the work for you they will also be exempted?

Mr. McLean.—They won't be exempted. It must be Great Indian Peninsula Railway property at the time of importation.

Mr. Ginwala.—That is of some importance in calculating?

Mr. McLean.—There is no question of rebate or refund if we subsequently buy materials imported by these people.

Mr. Ginwala.—Supposing they tendered for 1,000 wagons, they say to you the materials cost them so much: and when they import these they will have to pay 10 per cent. even if they are for you?

Mr. McLean.—Yes.

Mr. Mather.—Would it be possible for you to buy materials and hand them over to these wagon people in India to do the work?

Mr. McLean.—That would rather be an evasion of the Sea Customs Act. I may mention that it is not only a matter of price. We have had no reason to feel any great satisfaction with the supply of wagons by the wagon building firms in this country.

President.—Will you tell us why that is?

Mr. McLean.—In 1921 they were rather anxious to get work and we agreed to place orders with certain companies out here for wagons at a certain price. The arrangement was that we would practically finance all the raw materials that they were getting for these wagons. In March 1923 nothing had been delivered at all. The order was placed on the 4th March 1921 and we calculated the interest lost by us on the amount of finance given to the companies at Rs. 35,000.

Mr. Mather.—For how many wagons?

Mr. McLean.—200. The prices were very high and we had this money tied up for over three years.

Mr. Mather.—Have they not been delivered yet?

Mr. McLean.—We have got some now; we got them in November 1923.

Mr. Mather.—Did they give any explanation as to the reasons for the delay?

Mr. McLean.—They said they were waiting for the essential materials. There is another case. We placed orders for wagons at the then English price. One firm accepted—in this case we did not advance any money—and on the due date of delivery nothing had been delivered and on enquiry we found that no efforts had been made to collect the materials at all, so we cancelled the order. These two experiences do not encourage us to expect efficiency from the wagon building people in this country.

Mr. Ginwala.—Is not that rather due to uncertainty of orders?

Mr. McLean.—We placed orders.

Mr. Ginwala.—Supposing their total capacity is 1,000 wagons a year. If they get orders for 1,000 wagons a year they will be able to execute their orders in time, but if they get orders for, say, 200 or 300 in a year and nothing at all in the second or third year, don't you think that would interfere with the punctual execution of the orders?

Mr. McLean.—They came to me and asked for orders for 100 or more wagons to keep their works employed and we financed them to get the materials. We would naturally expect delivery on due date. In the second case I quoted the order was given in order to enable their works to be kept employed.

President.—If they want orders they must prove that they are capable of executing them.

I gather from the statement given by your carriage and wagon department that axle boxes are much the most important sections of the steel castings required.

Mr. McLean.—Yes.

President.—In answer to question (*c*) about the approximate weight and value of steel castings imported as part of wagons, etc., you say "These have been included in (*a*) above." I am not quite sure whether that has been fully understood because I notice that in the statement showing castings, it is, except in one case, always carriages and wagons. I take it in the locomotives there is a considerable amount of steel castings?

Mr. McLean.—The mechanical department is the Locomotive Department.

President.—These figures given in answer to question (*a*) will include both the castings that come out as part of imported wagons and also those imported separately for maintenance and so on?

Mr. McLean.—Yes.

President.—Then these figures you have given in clause (*a*) are duty free?

Mr. McLean.—They did not include anything for duty, but for the last two years we have been paying duty under protest.

President.—You have told us "The amount of steel scrap sold during the past 12 months was 3,250 tons." Is that about the average quantity you put in the market each year?

Mr. McLean.—It is very difficult to say. It is a question we can hardly give a reply to. We are always having scrap and sell what we can.

President.—Is that about what you have got to sell?

Mr. McLean.—It depends on the scrapping programme. It depends on the number of carriages and locomotives being broken up.

President.—Taking it on an average?

Mr. McLean.—It is rather high.

President.—It really comes to this. Steel scrap is one of the raw materials from which steel castings can be made, and it is in order to get some idea of the total quantity that would be available in India that we asked for these figures. Then I notice that the wrought iron scrap was nearly twice as

much as the steel scrap. Was there any reason for that? It struck me as extraordinarily high.

Mr. McLean.—I could not really say how that arose.

Mr. Mather.—There may have been exceptional circumstances.

President.—If it is purely an abnormal figure I think we should not take that into account.

Mr. Ginwala.—With regard to the imported castings these are used for renewals?

Mr. McLean.—They include renewals and additions.

Mr. Ginwala.—You get your locomotive and other things complete?

Mr. McLean.—The parts come from Home and we assemble them here.

Mr. Ginwala.—You don't make these in your own workshops?

Mr. McLean.—No. In fact the locomotives and wagons are imported complete, I mean all their parts come from Home.

Mr. Ginwala.—Are they heavy castings or light castings?

Mr. McLean.—Wagons are all light castings; the locomotive wheels are heavy.

Mr. Ginwala.—May we take it that the bulk of them would be light castings?

Mr. McLean.—Yes.

Mr. Mather.—I think you have just told the President that the castings which form part of the imported locomotives would be included in the returns for the mechanical department. That seems to allow of an extraordinarily small number of locomotives imported in the last two years. Have you actually had very few?

Mr. McLean.—There has been an extraordinarily low import last year.

Mr. Mather.—The Peninsular Locomotive Company gave us figures for one type of Indian locomotives on which I think the weight of steel castings is about 16 tons to a 100 tons locomotive.

Mr. McLean.—The chief purposes for which the castings are used are for buffers, cylinders and so on.

Mr. Mather.—I just wanted to make sure.

President.—Look to your answer to (c).

Mr. McLean.—I think the reason for that is that we buy axle boxes separately.

President.—There was some doubt as to these figures because the locomotive figures seemed extraordinary.

Mr. McLean.—The total approximate amount of steel castings imported as parts of locomotive during the last two years was 942 tons, of which the approximate total value was 13·89 lakhs.

President.—You might send us the correct answer.

Mr. McLean.—Yes.*

Mr. Mather.—Has your Railway bought any steel castings in India from the two companies who make them?

Mr. McLean.—I don't know.

Mr. Mather.—In the table submitted by your Stores department at the end of your reply on castings you give us the weight of the various kinds of castings and the invoice value. May we take it as approximately the f.o.b. value?

Mr. McLean.—Invoice value includes the cost f.o.b. and freight and insurance.

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* Not received.

No. 84.

Bombay, Baroda and Central India Railway Company.

Written.

Statement I.—Letter, dated 28th November 1923, from the B., B. & C. I. Railway, forwarding replies to Questionnaire No. II (b).

I regret the delay in replying. I forward herewith the enclosed Note (with five spare copies) giving my replies to the questionnaire forwarded with your letter No. 272, dated the 26th September 1923. Some of the replies however, do not, in my opinion, give a correct impression of the situation and I should like to discuss them with you to-morrow when I give my oral evidence.

Replies to Questionnaire No. II (b) (General).

(1) The figures are given in Appendix " A."

(2) The meaning of this question is not quite clear, but it has been taken to mean that it covers materials now obtained from Tatas, *vide* Question (1), together with additional materials we import direct.

The figures are therefore as under:—

—	Tons.	Value.	10 per cent.	33⅓ per cent.	Increase.
		Rs.	Rs.	Rs.	Rs.
Non-structural materials now obtained from Tatas average for 1 year as per Appendix A	17,273	21,61,410	2,16,141	7,20,469	5,04.328
Non-structural material now imported direct as per estimate of Controller of Stores .	4,980	8,97,400	89,740	2,99,130	2,09,390
TOTAL .	*22,253	30,58,810	3,05,881	10,19,599	7,13,718

* These figures include all structural steel purchased from Tatas and all non-structural steel imported from abroad, but do not include complete machines, locomotives, boilers and wagons, which now carry a 2½ per cent. duty.

(3) The figures are as under:—

—	Value.	10 per cent.	33⅓ per cent.	Increase.
	Rs.	Rs.	Rs.	Rs.
Estimated value of structural steel imported in a fabricated condition	44,15,812	4,41,581	14,71,937	10,30,356

It may be pointed out that these figures are probably well below actuals for the next few years.

(4) On the assumption that no increase in import duty is imposed on complete machines, locomotives, boilers and wagons, the increase in expenditure set out in the answers to Questions 2 and 3 must have the result of militating against a reduction in rates and fares, and probably will necessitate an increase therein.

(5) Owing to rise in prices and labour during recent years, it has become increasingly difficult to justify the construction of new lines upon a financial basis. It is a known fact that many lines of different gauges, which it would have been possible to build and work as a paying proposition, had old conditions held good, have had to be indefinitely postponed. Conditions are, however, gradually improving and projects which were pigeon-holed are now being brought out again and reconsidered.

To increase the price of steel in the manner proposed must again mean a serious set-back.

(6) The establishment of the Steel Industry in India is a convenience and therefore possibly desirable. It is not an essential from a railway point of view and should under no conditions be established as a monopoly.

It is a convenience because it enables Railways to obtain supplies rather more quickly and, in the event of a strike out of India, or of war, supplies would be better assured in India.

It must not be forgotten, however, that there are many articles of manufactured steel which cannot be obtained in this country and upon which no increase of import duty is justifiable.

Moreover, Tatas have not been able to meet all Railway requirements in articles which they can manufacture, and we have had to break up our orders.

(7) By a Bounty or Subsidy.

APPENDIX A.

Rails.

—	Tons.	Amount.	10 per cent.	33⅓ per cent.	Difference between the amounts of 10 per cent. and 33⅓ per cent.
		Rs.	Rs.	Rs.	Rs.
1924-25 . .	16,029	19,63,802	1,96,380	6,54,600	4,58,220
1925-26 . .	15,761	19,30,972	1,93,097	6,43,657	4,50,560
1926-27 . .	13,577	16,63,432	1,66,343	5,54,477	3,88,134
1927-28 . .	13,577	16,63,432	1,66,343	5,54,477	3,88,134
1928-29 . .	20,497	25,11,132	2,51,113	8,37,044	5,85,931
	79,441	97,32,770	9,73,276	32,44,255	22,70,979
AVERAGE ONE YEAR . .	15,888	19,46,554	1,94,655	6,48,851	4,54,196
		Fishplates.			
1924-25 . .	665	1,01,562	10,156	33,854	23,698
1925-26 . .	790	1,20,625	12,062	40,208	28,146
1926-27 . .	933	1,42,432	14,243	47,477	33,234
1927-28 . .	933	1,42,432	14,243	47,477	33,234
1928-29 . .	1,253	1,91,232	19,123	63,744	44,621
	4,574	6,98,283	69,827	2,32,760	1,62,933
AVERAGE ONE YEAR . .	915	1,39,656	13,965	46,552	32,587

Steel Sections.

—	Tons.	Amount.	10 per cent.	33⅓ per cent.	Difference between the amounts of 10 per cent. and 33⅓ per cent.
		Rs.	Rs.	Rs.	Rs.
1924-25 . .	450	72,000	7,200	24,000	16,800
1925-26 . .	450	72,000	7,200	24,000	16,800
1926-27 . .	450	72,000	7,200	24,000	16,800
1927-28 . .	500	80,000	8,000	26,666	18,666
1928-29 . .	500	80,000	8,000	26,666	18,666
	2,350	3,76,000	37,600	1,25,332	87,732
AVERAGE ONE YEAR . .	470	75,200	7,520	25,066	17,546
OF TOTAL THREE COMMODITIES FOR 5 YEARS .	86,365	1,08,07,053	10,80,703	36,02,347	25,21,644
AVERAGE ONE YEAR . . .	17,273	21,61,410	2,16,141	7,20,469	5,04,328

Statement II.—Letter, dated 13th November 1923, from the Bombay, Baroda and Central India Railway, forwarding replies to Questionnaire No. II (c).

In reply to your letter No. 313, dated 25th September 1923, I beg to send you herewith replies to the set of questions as desired. I regret the delay in replying.

As this line comprises two Gauges with separate Workshops I have given you the replies separately for the Broad and Metre Gauges.

Replies to Questionnaire No. II (c) (Wagons).

Answers.

Broad Gauge.

(1) 10,339, *vide* list attached. I. R. C. A. type steel open wagons 'Q' class and I. R. C. A. type steel covered wagons 'R' class are the latest types. Other high capacity wagons fitted with 16 ton axles are of the main types are marked in the list.

Metre Gauge.

(1) (*a*) 8,808 including Goods Brake Vans.

(*b*) I. Iron Covered Goods from 14′ to 20′.

I. C. Gs. 14′	760
,, 15′ 6″	1,630
,, 17′	1,428
,, 18′	400
,, 20′	239
TOTAL	4,457

II. Wooden Covered Goods 14′ to 20′.

W. C. Gs. 15′	104
,, (Horse wagons) 18′ and 20′	540
,, 18′ with iron doors and roof	451
W. H. S. with roof 14′	93
TOTAL	1,188

III. Iron Bogie Covered Goods.

B. I. Gs. 25′	256
,, 25′ (with B)	49
B. S. C. Gs. 26′	83
,, 29′ (with Guards Comptt.)	82
,, 36′	4
,, 43	95
TOTAL	569

IV. Iron Open Goods.	
I. L. S. with G.'s Com.	100
,, 14′	46
,, 15′ 6″	48
I. M. S. 14′	145
,, 15′	96
,, 18′	129
S. B. W. 20′	51
I. T. T.	8
TOTAL	623
V. Wooden Open Goods.	
W. L. S. 14′	179
W. B. W.	365
W. T. T.	15
TOTAL	559
VI. Bogie Iron Open Goods.	
Bogie I. L. S.	558
,, T. Ts. 37′	25
,, ,, 43′	25
,, C. W. 27′	378
,, ,, 37′	104
,, ,, 43′	10
TOTAL	1,100

ANSWERS.

Broad Gauge.	Metre Gauge.
(2) 400 I. R. C. A. type wagons approximately with 16 tons axle load.	(2)

	No. built in 1922-23.	No. provided for in 1923-24.	Average yearly No. estimated, 1924-25 to 1927-28.
Iron Covered Goods 20′	171	489 *	420
Wooden Covered Goods	..	9	29
Bogie Covered Goods 43 *	43	52	..
Iron Open Goods	21	40	49
Bogie Iron Open Goods	..	36	1

* Includes 150 from Messrs. Burn & Co.

Broad Gauge.

(3) No, we do not build wagons in India but complete steel covered and open wagons are obtained from England and are erected in our Works at Parel.

Metre Gauge.

(3) (*a*) Yes, from raw material.

(*b*) Detailed shop costs of main types (excluding wheels and axle and A. V. B.).

Details of work.	Covered wagon 20′ I. R. A. Type M.A. 2.	Bogie Covered wagon 43′ I. R. C. A. type M.B.A. 1.	Bogie High Sided Open wagon 43′ I.R.C.A. type M.B.C. 1.	Bogie Rail wagons 43′ I. R. C. A. type M.B.D. 1.
	Rs.	Rs.	Rs.	Rs.
Timber	..	..	..	60
Painting material	60	140	100	50
Helical springs	52	52	52	52

Door controllers	164	328	..	..
Vacuum Brake fittings	..	600	600	600
Mild steel plates	446	1,073	913	795
Spring steel flat	42	84	84	84
Mild steel channels, angles, flat and round bars, bolts, rivets and miscellaneous stores	550	1,307	1,205	1,169
Brass, steel and iron castings, forgings and drop stamp material	531	846	862	924
Labour and general charges	500	1,000	956	925
Machinery charges	140	250	235	216
TOTAL FOR ONE WAGON	2,485	5,680	5,007	4,875

(4) No wagons have been bought in India.

(5) The main type of wagons are I. R. C. A. type steel covered 'R' class and steel open 'Q' class. Cost of these is given in the list attached.

(4) 150 I. C. G. wagons 20′ M. A. 2 type (I. R. C. A. type) are now being received from Messrs. Burn & Co., Calcutta.

(5) No wagons have been imported but the estimated cost of the M. A. 2 type wagons from Burn & Co. is Rs. 5,231 without wheels and axles but with * A. V. B. in addition to freight charges from Calcutta and wheeling at Cawnpore. These figures were modified during the oral examination, *vide* page ? .

* The extra cost of A. V. B. may be taken as Rs. 700.

ANSWERS.

Broad Gauge.

(6) All particulars cannot be ascertained. The average total tare weight of the steel open wagon is 10 t. 8 c. and that of covered wagon is 10 t. 3 c.

	C.	Qr.	Lbs.
Weight of bearing springs .	7	3	16
Weight of Buffer and Draw springs	4	2	10

Metre Gauge.

(6) Description of material used in manufacture of wagon (without wheels and axles).	Covered wagon 20′ I.R.C.A. type M.A. 2.	Bogie Covered wagon 43′ I.R.C.A. type M.B.A. 1.	Bogie High sided open wagon 43′ I.R.C.A. type M.B.C. 1.	Bogie Rail Wagon 43′ I.R.C.A. type M.B.D. 1.
	Tons.	Tons.	Tons.	Tons.
(a) Weight of total wagon (without wheel and axles)	4·5	10·25	9·28	8·88
(b) Weight of 'B' class steel . . .	..	..	..	..
(c) ,, 'D' class steel . . .	..	..	..	..
	Cwt.	Cwt.	Cwt.	Cwt.
(d) ,, steel castings . . .	8	16	16·5	16·6
(e) ,, spring steel flat . . .	3·5	7	7	7
(f) ,, mild steel plates . . .	40·5	97·5	83	72·3
(g) Weight of structural steel (channels, angles, flat and round bars, etc.) . .	36·5	91·25	85·25	83
(h) Weight of wrought iron, including furnace iron used for forging and drop stamp	8·75	10·25	10	16
(i) Weight of iron castings. . . .	·3	1·8	1·8	1·8
Weight of brass castings . . .	·4	·8	·8	·8

(7) The specification of the material used in the construction of wagons is laid down by the Consulting Engineers in England, and any change in the same would come at their instance.	(7) The Company's Consulting Engineers in London purchase axles, tyres and springs and have not as far as we know adopted the use of basic open-hearth steel. There would be no objection to its use if made to British Standard specification to bring it into line with acid open-hearth quality used for the same purposes.
(8) As we do not construct our own wagons, there is no reason from a railway point of view why a wagon building industry should not be established in India, provided that price, material and workmanship compare favourably with that obtaining in England. The Broad Gauge have always bought their new wagons whereas the Metre Gauge have made theirs. If a contract shop is provided specially equipped for building new wagons it must be able to compete in price against a railway shop which only builds say 300 or 400 wagons a year as an addition to its regular repair work. Now that we have standard wagons a contract shop can manufacture on mass production methods more cheaply than a Railway Workshop and probably the work will be better. It can also put in special machines which would not be justified in a railway works.	(8) It would be more economical to use Carriage and Wagon Shops such as those at Ajmer for building vehicles from raw material. In such shops there is an efficient supervising staff which can readily undertake building work in addition to repairs. NOTE.—Messrs. Burn & Co. were given an order three years ago for 150 wagons and have not yet delivered 100. The Ajmer Shops built 171 of these last year in 6 months. It would be more economical to use Carriage and Wagon Shops such as those at Ajmer for building.
(9) From the answer to Question 8 it follows that an up-to-date contract shop equipped with special machinery for mass production of the standard types of wagons must build more cheaply than a Railway Workshop.	(9) Please see answer to question No. 8. In the form of a bounty and not in the form of an increase in import duty on steel manufactures. It depends on amount of the increase given. If the duty on imported steel is raised from 10 to 33⅓ per cent., the rates and fares will certainly have to be raised to pay it. In this case the development of India by Railways will be seriously retarded.

Statement III.—Letter, dated 13th November 1923, from the Bombay, Baroda and Central India Railway, forwarding replies to Questionnaire No. II (a).

In reply to your letter No. 271 of the 26th September 1923, asking certain questions in connection with steel castings, I beg to send you the replies herewith.

No. II (a) (Steel Castings).

1. (*a*) We very rarely obtain steel castings as such from Home; during the last two years we have obtained steel blocks weighing 7½ tons. The cost of these on our books was Rs. 3,502-0-0.

(*b*) The steel blocks were for use as dies for drop stamp work.

(*c*) The weight of steel castings imported as parts of wagons, carriages and locomotives or other important articles during the last two years was about 107½ tons valued at Rs. 45,349-0-0, approximately; of the 107½ tons 103 tons were for C. S. buffer shells and the rest for C. S. cross heads and brackets.

(*d*) There will probably be no increase in the requirements of steel castings during the next five years.

2. All steel castings required in the construction of carriages and wagons are made in the Carriage and Wagon Shops, Ajmer: total outturn of steel castings from these Shops during the last two years was as follows:—

	Tons.
For Locomotive and Carriage Superintendent, Parel .	264
For Locomotive Superintendent, Ajmer	163
For Carriage and Wagon Shops, Ajmer	733
For other Railways and private firms	340
TOTAL .	1,500

There will probably be 10 per cent. increase of output during the next five years.

3. Subject to the needs of the Railway Company, the average amount of steel scrap available for sale will be about 150 tons.

Statement IV.—Additional information supplied by the Bombay, Baroda and Central India Railway Company, dated 5th January 1924.

I am sending herewith the information promised by the Agent during the course of his evidence.

QUESTIONS.

The following information is still required by the Tariff Board :—

(1) The list which should have been attached to the answer to Question (1) (Broad Gauge) was not received by the Tariff Board nor is it attached to the file.

(2) Do the figures in Appendix 'A' attached to our letter of 28th November under the heading of "Sections" include all material for metre gauge wagons? A copy of this Appendix is not attached to the papers on the file.

(3) The following tabular statement is required for rails and fishplates :—

Nos. of each and prices paid—obtained from Tata's up to the date of our most recent contract.

ANSWERS.

(1) The list referred to is attached herewith as Appendix 'B.'

(2) Appendix 'A' referred to herein is attached herewith.* Yes, it includes all material for metre gauge wagons.

(3) Rails and fishplates obtained from Tata's up to 1920, the date when their current contract commences.

	Nos.	Tons.	Cwts.	Cost per ton.	Price f. o. r. Jamshedpur.
				Rs. A. P.	Rs. A. P.
1914 Rails, 90 lbs. . .	145	63	2	95 4 6	6,012 4 0
1915 ,, . .	3,487	1,680	14	90 13 1	1,52,641 10 0
1915 Fishplates . .	3,620	77	0	119 5 7	9,190 0 0
1918 ,, . .	1,701	36	8	180 3 11	6,560 14 0
1919 Rails, 90 lbs. . .	4,376	108	6	147 14 8	3,11,850 0 0

* Already printed at end of replies to General Questionnaire.

QUESTIONS.

ANSWERS.

	Nos.	Tons.	Cwts.	Cost per ton.	Price f.o.r. Jamshedpur.
				Rs. A. P.	Rs. A. P.
1919 Fishplates . .	4,392	92	15	180 1 0	16,700 9 0
1920 Rails, 90 lbs. . .	3,291	1,585	11	127 15 0	2,02,850 2 0

Three statements* marked (1), (2) and (3) are attached, showing the quantity and value of metre gauge rails and fishplates supplied by Messrs. Tata's up to date.

* Forming Appendix C.

NOTE.—The following are the contracts which have recently been made in England :—

90-lb. Rails.—2 Contracts—Price *plus* freight and insurance to Bombay, Rs. 129-8 and Rs. 133-12 per ton, respectively. September 1923.

90-lb. Rails.—2 Contracts—Price *plus* freight and insurance, Rs. 131-9 and Rs. 132-10 per ton, respectively.

Rate of exchange 1*s.* 4½*d.*

Freight calculated at 20 shillings a ton.

Details of tonnage of rails and fishplates, 75 lbs. and upwards, *obtained from Home.*

—	Tons.	Cwts.	Value c.i.f.
			Rs. A. P.
1914 Rails, 90 lbs.	4,734	18	4,85,212 5 0
1914 Fishplates, 90 lbs.	217	4	30,469 8 0

1914 „ 75 lbs.	6	19	1,184 2 0
1915 Rails, 90 lbs.	9,024	0	10,71,939 0 0
1915 Fishplates, 90 lbs.	208	8	26,765 10 0
1916 Rails, 90 lbs.	99	13	11,331 8 0
1916 Fishplates, 90 lbs.	174	6	32,121 8 0
1917 } 1920 } *Nil.*			

(4) I was asked whether our surplus profits were shown on the expenditure side of the account, and, if so, whether the net return on the undertaking was reduced accordingly. The Chief Auditor might say whether this is a correct point of view and make any remarks he wishes, as applied to the question of a high tariff on steel.

(4) The additional duty on steel would decrease the net receipts by the additional cost of stores for revenue purposes and interest charges on cost of stores for capital works and so reduce the surplus profits divisible between the Company and Government.

The interest charges on cost of stores for capital works will be a recurring charge against net receipts.

In the Government account, the surplus profits *paid to Company* are added to the total working expenses of the line before arriving at the net receipts due to the State.

The figures given in paragraph 10 of the Chief Auditor's note represent net results to the State after deducting surplus profits paid to the Company.

The enhanced duty adversely affects the Company.

(5) In reply to Question 3 in our letter of the 28th November, we only gave the value of the structural steel imported in a fabricated condition. The Tariff Board now would like to have the approximate tonnage of this. Very meticulous accuracy is not necessary.

(5) Approximate tonnage of steel structural material imported in fabricated condition is 841 tons per annum.

QUESTIONS.

(6) The Tariff Board want to know what the highest and lowest prices of mild steel bars and beams were for the years 1921-22-23. This applies to structural non-fabricated steel.

ANSWERS.

(6) Prices (c.i.f., i.e., cost including sea freight and insurance only) per ton, highest and lowest, paid for steel structural material during 1921, 1922 and 1923 are as follows :—

Description.	1921.				1922.				1923.			
	Highest.		Lowest.		Highest.		Lowest.		Highest.		Lowest.	
	Rs.	A.	Rs.	A.	Rs.	A.	Rs.	A.	Rs.	A.	Rs.	A.
M. S. Angles	339	13	184	2	209	0	144	8	178	4	133	2
S. M. Bars, flat . . .	486	14	192	9	214	0	146	7	243	6	142	8
S. M. Rounds . . .	116	8	174	12	251	7	160	10	305	3	154	6
S. M. Squares . . .	380	15	211	9	263	0	160	10	175	2	160	0
S. M. Beams	198	3	198	3	155	4	155	4	135	2	135	2
S. M. Channels . . .	352	14	209	14	285	0	150	0	186	6	131	8

(7) The Tariff Board want a statement showing steel sleepers—weight and cost—from 1912 onwards purchased by this Railway; also whether imported or bought locally, and in addition the estimated tonnage of steel sleepers expected to be required in the next five years.

(7) Steel sleepers as *imported from Home* :—

—	Tons.	Cwts.	Value c.i.f. Rs.	A.	P.
1914 Steel sleepers, 60 lbs.	905	10	1,00,361	12	0
1915 ,, ,, 75 ,, ...	120	3	19,484	8	0
1922 ,, ,, 75 ,, ...	158	8	43,210	11	0
1922 ,, ,, 60 ,, ...	3,022	7	6,48,712	12	0
1922 ,, ,, 90 ,, ...	11,719	15	23,32,929	15	0
1923 ,, ,, 90 ,, ...	3,751	16	7,21,221	6	0

A statement showing the estimated tonnage of steel sleepers expected to be required in the next five years for broad gauge is at Appendix 'D.'

As regards metre gauge, estimated requirement of steel sleepers for next five years as per quinquennial programme is one lakh and twenty, four thousand sleepers per year, which is subject to approval of policy of laying steel sleepers on economic comparison and approval of programme of relaying 60 miles main line per year.

QUESTIONS.	ANSWERS.
(8) Have we used any manganese steel or alloy steel crossings on the broad or metre gauge? If so, are they well reported on and do we intend to extend their use to any great extent?	(8) Broad gauge imperial manganese steel crossings, received 221 from Edgar Allen & Co., out of which 155 put in the road but not entirely satisfactory. Twenty of the crossings originally supplied from 1916 to 1922 cracked due to a foundry fault. We have had no such failures since. Metre gauge, 50 manganese steel crossings were ordered from home in 1909. No record of wearing quality available. None ordered since 1909.
(9) As regards the figures which we gave in our tabular statement accompanying our letter of the 13th November, the Tariff Board are particularly interested in the details of the cost of M. G. "M. A. 2" type wagons and wish to know whether the figures quoted are present day prices or book prices for material used. I explained that the figures were book prices and they ask that those figures may now be revised showing the actual latest prices quoted for each class of material or work done. The Carriage and Wagon Superintendent should get this out as quickly as possible.	(9) The cost of Burn & Co.'s wagons given in the statement prepared for the Tariff Board did not include wheels and axles or freight and cost of final preparation for the road. About Rs. 900 should be added for those extras, making the total cost of the wagon to us f.o.r. Rs. 6,131.

We have no information as regards present ruling prices of English material.

The cost of materials is arrived at by taking an average of English contract price for materials during 1922-23 and adding 10 per cent. for sea freight, 10 per cent. for customs and 5 per cent. for wharfage, railway freight, etc.

Details for one M. A. 2 type wagon built in Ajmer Shops are as under :—

(These wagons were not fitted with vacuum brake.)

Description of material.	Quantity.	Rate per cwt.	Cost.
	Cwts.	Rs. A.	Rs. A.
1. Channels, steel, mild	9	9 0	81 0
2. Angles, steel, mild	16·6	10 8	174 5
3. Plates, steel, mild	40·5	11 0	445 8
4. Bars, flat, steel, mild	6·2	9 0	55 13
5. Bars, round, steel, mild .		9 8	12 10

6. Spring steel, flat	3·5	12	0	42	0
7. Rivets, bolts	3·5	19	0	66	8
8. Helical springs	4	13	0 each	52	0
9. Door controllers	2 sets	82	0	164	0
10. Miscellaneous stores	Lot	..		160	4
11. Furnace iron drop stamp forging made in shops.	8·8	30	0	264	0
12. Brass castings	·4	60	0	24	0
13. Steel castings	8	30	0	240	0
14. Iron castings	·3	10	0	3	0
15. Painting material	Lot	..		60	0
16. Labour and general charges	,,	..		500	0
17. Machinery charges	,,	..		140	0
Total cost of one wagon, without wheels and axles and vacuum brake				2,485	0
Add for wheels and axles				630	0
GRAND TOTAL				3,115	0

QUESTIONS.	ANSWERS.
(10) Is it correct to say that, in the case of the cost of any material quoted in the tabular statements accompanying our two letters of 13th November, the duty was added to the cost of all material imported as well as freight, insurance and clearing charges ?	(10) The cost given for steel in Answer II is the cost of the steel according to the Customs Tariff valuation. It therefore does not include customs and clearing charges. The cost given for 841 tons of steel structural fabricated material in answer to Question III includes sea freight and insurance charges only and not customs and clearing charges.
(11) Have we purchased from any firms in India any steel castings in the last five years, this to include steel axle boxes ? If so, to what extent in tonnage and value ?	(11) No.
(12) What is the present cost to us of our I. R. C. A. type steel covered wagons, 'R' class, *plus* freight, *plus* insurance, *plus* customs duty and clearing charges ?	(12) The cost of this type of wagon is Rs. 4,900 (inclusive of freight, insurance, customs duty and clearing charges) *plus* Rs. 300 for erecting and painting it out here in India.
(13) Is the vacuum brake sent out ready fitted or is it purchased separately ? In either case what price should be put against the vacuum brake fitting ?	(13) All wagons received in this country from England are fitted with the accessories in England. The cost to be put against the vacuum brake fitting is Rs. 450.
(14) As regards Question 5 (Wagons, in our statement accompanying our letter of the 13th November, the answer for the metre gauge is not understood. Does this answer mean that the cost of M. A. 2 type wagons built by Burn & Co. is Rs. 5,231 without wheels and axles and without the vacuum brake, or freight charges from Calcutta or erection at Cawnpore ? Or does it mean that the Rs. 5,231 includes vacuum brake, freight charges and erection ? My impression is that it must mean the former and not the latter, as we do not fit our goods wagons on the metre gauge with the vacuum brake.	(14) For reply to this, please see answer given to Question 9.

APPENDIX B.

Classification of stock.		Total No. of Wagons.
*1A.	Highsided open wagons 'Q' Class I. R.C.A. type	154
1.	„ „ „ „ (18′) A. Steel	843
*2.	„ „ „ „ (24′) B.	597
*3.	„ „ „ „ (24′) K.	185
4.	Low sided open wagons (20′) A. Iron	26
5.	Medium sided open wagons (19′ 3″) C. Steel Military type	161
6.	High sided open wagons (31′) 6 wheeled D.	51
7.	Flat open wagons (31′) 6 wheeled E.	50
*8.	„ „ „ Bogie F.	195
9.	Covered wagons (18′) Steel X	1,293
*10.	„ „ (24′) „ Y	315
*11.	„ „ (24′) „ T	1,399
*12.	„ „ (24′) „ W	860
13.	„ „ (24′) „ N	505
14.	„ „ (18′) Wooden Z (wooden underframe)	4
15.	„ „ (18′) „ Z (Iron underframe)	1,015
*16.	„ „ (23′) „ V „ „	190
*17.	Coal wagons Steel H.	436
*18.	„ „ „ J.	50
19.	R. M. Railway Coal wagons Steel M.	100
*20.	„ „ „ „ G.	114
21.	„ „ „ „	61
22.	Covered wagons 'R' Class I. R. C. A. type	456
23.	Salt wagons S.	150
24.	Special heavy wagon (20′) 6 wheeled	1
25.	Powder Vans P. V.	14
26.	Store Delivery Vans S. V.	14
27.	Oil Delivery Vans O. D. V.	1
28.	Oil Tank Wagons, Square O. L.	20
29.	„ „ „ Cylindrical O. T.	20
30.	Water Tank Wagons L.	31
31.	Accident Wagons A. V.	23
32.	Accident Cranes	6
33.	Travelling Cranes	13
34.	Alligator Trucks for Boilers	..
35.	Gas Trucks, ordinary	12
36.	Gas Trucks Bogie	2
37.	Weigh Bridge Inspector's Van	1
38.	Goods Brake Vans	258
39.	Ballast Wagons: Wood	21
	Wood with iron underframes	180
	Iron	227
	Iron with iron underframes B. B.	232
	Hopper type B. H.	50
	„ „ Ballast Bogie	1
	Plough brakes Hopper type	2
	Ballast brake Vans	..
	TOTAL	10,339

* These are high capacity wagons fitted with 16 ton axles.

APPENDIX C.

Statement of Metre Gauge Rails supplied by Tatas to Bombay, Baroda and Central India Railway against requirements of 1923-24.

Material.	No.	Weight. Tons.	Cwts.	Qrs.		Rate per ton. Rs. A. P.	Bill No.	Amount. Rs. A. P.
Rail 60 lbs. . . .	97	31	3	0	4	122 8 0	N 1672-73, 1923 .	3,816 2 0
Ditto . . .	255	81	7	2	0	,,	N 1755-56, 1923 .	9,968 7 0
Ditto . . .	131	41	17	3	12	,,	N 1781-82, 1923 .	5,131 14 0
Ditto . . .	121	38	7	0	16	,,	N 1783-84, 1923 .	4,698 12 0
Ditto . . .	122	38	10	3	16	,,	N 1887-88, 1923 .	4,721 12 0
Ditto . . .	242	77	13	2	8	,,	N 1821-22, 1923 .	9,515 10 0
Ditto . . .	122	39	3	3	0	,,	N 1825-26, 1923 .	4,800 8 0
Ditto . . .	120	38	10	3	16	,,	N 1847-48, 1923 .	4,721 12 0
Ditto . . .	362	114	4	1	4	,,	N 1968-69, 1923 .	13,991 4 0
Ditto . . .	375	120	3	0	24	,,	N 1997-98, 1923 .	14,719 11 0
Ditto . . .	72	23	1	3	4	,,	N 1999-2000, 1923 .	2,828 7 0
Ditto . . .	258	82	18	2	8	,,	N 2119-20, 1923 .	10,158 12 0
Ditto . . .	273	87	15	0	0	,,	N 2159-60, 1923 .	10,749 6 0

Ditto . . .	268	86	2	3	12	,,	N 2161-62, 1923 .	10,552 8 0
Ditto . . .	132	42	8	2	8	,,	N 2184-85, 1923 .	5,197 8 0
Ditto . . .	133	42	15	0	0	,,	N 2186-87, 1923 .	5,236 14 0
Ditto . . .	123	39	7	2	0	,,	N 1819-20, 1923 .	4,823 7 0
Ditto . . .	176	54	14	1	24	,,	N 2200-01, 1923 .	6,703 10 0
Ditto . . .	229	73	2	2	0	,,	N 1785-86, 1923 . B 101, dated 17th November 1923.	8,957 10 0
Ditto . . .	131	41	18	1	16	,,	N 1789-90, 1923 .	5,135 3 0
Ditto . . .	123	39	10	2	24	,,	N 1757-58, 1923 .	4,843 2 0
Ditto . . .	262	83	7	0	16	,,	N 1823-24, 1923 .	10,211 4 0
Ditto . . .	353	112	3	0	4	,,	N 1995-96, 1923 .	13,738 10 0
TOTAL .	4,480	1,430	7	2	20			1,75,222 4 0
Rails 41½ lbs. . .	600	95	15	0	20	125 0 0	N 252627, 1923 .	11,969 14 0
TOTAL .	600	95	15	0	20			11,969 14 0

Material.	No.	Weight.				Rate per ton.	Bill No.	Amount.
		Tons.	Cwts.	Qrs.	lbs.	Rs. A. P.		
Fishplates 60 lbs.	2,200 prs.	22	8	3	10	152 8 0	N 1817-18, 1923	3,422 6 0
Ditto	2,061 prs.	21	..	1	26	,,	N 1849-50, 1923	3,206 3 0
Ditto	764 prs.	7	15	3	13	..	N 2121-22, 1923	1,188 8 0
TOTAL	5,025 prs.	51	5	0	21			7,817 1 0
Fishplates 11½ lbs.	3,435 prs.	13	19	3	12	155 0 0	N 3451-52, 1923	2,168 14 0
TOTAL	3,435 prs.	13	19	3	12			2,168 14 0
Rails 60 lbs.	268	85	2	2	0	122 8 0	N 5, 1923	10,427 8 0
Ditto	272	85	8	1	16	,,	N 5461, 1923	10,463 12 0
Ditto	134	42	15	0	0	,,	N 5463, 1923	5,236 14 0
Ditto	399	127	19	0	12	,,	N 304, 1923	15,674 6 0
Ditto	278	88	6	1	0	,,	N 308, 1923	10,818 2 0
Ditto	133	42	15	0	0	,,	N 474, 1923	5,236 14 0
Ditto	111	35	10	3	16	,,	N 1579-80, 1923	4,354 3 0

Ditto . .	135	38	13	2	8	,,	N 1506-07 . .	4,738 2 0
Ditto . .	96	30	17	0	16	,,	N 1596-97 . .	3,780 0 0
Ditto . .	77	24	14	1	24	,,	N 1641-42 . .	3,028 9 0
Ditto . .	122	38	10	3	16	,,	N 1787-88, 1923 .	4,721 12 0
Ditto . .	267	85	5	0	20	,,	N 162, 1923 . .	10,444 6 0
Ditto . .	134	42	8	0	4	,,	N 294, 1923 . .	5,194 6 0
Ditto . .	408	129	17	0	16	,,	N 154, 1923 . .	15,907 8 0
Ditto . .	401	127	16	3	24	,,	N 133, 1923 . .	15,661 4 0
Ditto . .	269	85	4	2	16	,,	N 166. 1923 . .	10,440 10 0
Ditto . .	404	129	13	3	20	,,	N 292, 1923 . .	15,888 2 0
Ditto . .	404	127	9	1	24	,,	N 389, 1923 . .	15,615 10 0
TOTAL No. .	4,312							
TOTAL .	..	1,368	8	2	8			1,67,632 0 0
Fishplates for 41¼ lbs. rails.	prs. 3,150	12	16	2	16	155 0 0	N 476, 1923 . .	1,989 0 0
Ditto .	4,455	18	2	3	24	,,	N 959-60, 1923 .	2,813 0 0
Ditto .	3,150	12	16	2	16	,,	N 961-62, 1923 .	1,989 0 0
Ditto .	4,135	16	16	3	16	,,	N 963-64, 1923 .	2,610 15 0
TOTAL .	14,890	60	13	0	16			9,401 15 0

Material.	Weight				Amount.	
	Tons.	Cwts.	Qrs.	lbs.	Rs. A. P.	Rs. A. P.
Rails 60 lbs.	3,555	16	2	12	4,35,589 15 0	@ 122 8 0 per ton.
„ 41¼ „	180	13	0	5	22,581 9 0	@ 125 0 0 „
Fishplates 60 lbs.	220	16	1	19	34,158 10 0	@ 152 8 0 „
„ 41¼ „	187	9	1	12	29,089 1 0	@ 155 0 0 „

APPENDIX D.

Anticipated requirements of steel sleepers for the next five years.

	Quantity required Nos.	REMARKS.
1924-25.		
Relaying 30 miles on Virar-Baroda Section	60,000	Contract with Tatas at Rs. 9 per sleeper f. o. b.
1925-26.		
Relaying 25 miles on Godhra-Rutlam-Nagda Section . . .	50,000	
elaying 30 miles on Virar-Baroda Section	60,000	

1926-27.		
Relaying 25 miles on Godhra-Rutlam-Nagda Section . . .	50,000	
Relaying 30 miles on Virar-Baroda Section	60,000	
Relaying 40 miles on Nagda-Muttra Section	80,000	
1927-28.		
Relaying 25 miles on Godhra-Rutlam-Nagda Section . . .	50,000	
Relaying 30 miles on Virar-Baroda Section	60,000	
Relaying 40 miles on Nagda-Muttra Section	80,000	
1928-29.		
Relaying 25 miles on Godhra-Rutlam-Nagda Section . . .	50,000	
Relaying 30 miles on Virar-Baroda Section	60,000	
Relaying 40 miles on Nagda-Muttra Section	80,000	
For five years . .	740,000 Nos. =52,467 tons at 158·82 lbs. per sleeper.	

Oral evidence of Major-General Sir HENRY FREELAND, Agent, Bombay, Baroda and Central India Railway, recorded at Bombay on the 29th November 1923.

President.—There is one point which I had better mention at the outset. In your reply to our letter about wagons—for instance in your answers to questions Nos. 1 and 5—you refer to some list, but that list was not attached. It is unfortunate. All our evidence in Calcutta was about broad guage wagons and it is the details about them that we want.

Sir H. Freeland.—I am sorry I did not notice that myself. I shall send it to you later.*

President.—We might take up the other letter that came in yesterday, *i.e.*, about the protection of the steel industry. You have given in Appendix A the requirements of your railway in the matter of rails, fish-plates and steel sections. You have said in your covering letter "Some of the replies however do not in my opinion give a correct impression of the situation and I should like to discuss them with you to-morrow when I give my oral evidence." If we come to any points on which you would like to modify or supplement the answers given, will you just let me know?

Sir H. Freeland.—Yes. As far as steel sections are concerned, I think that you will want some further explanation. If you can tell me why you want them, I shall be able to explain to you better.

President.—The primary question before the Board is protection for the manufacture of raw steel. The first thing we wanted to ascertain was this. Supposing effect were given to the proposal of the Tata Iron and Steel Co., for protecting the raw steel they manufacture, what would be the financial effect of that on railways? Then in the second place, supposing it was found impossible to stop there and protection had also to be extended to fabricated steel, in that case what would be the further increase which would result? That was the general position of the Board in putting the questions in that form.

Sir H. Freeland.—The figures I have given you in reply to question No. 2 are going a little further than that. We did not know what you meant; so we have included in question 2 all Tatas' steel included in question 1. Practically the only things that we get from Tatas' are rails and fish-plates.

President.—It does not matter from what source you get it so long as it is of the kind that the Tata Company manufacture. That is to say, assuming that protection is given to the Tata Iron and Steel Co., it means the imposition of a protective duty on those kinds of steel which they manufacture and the price will be raised presumably to the full extent of the duty to all purchasers of steel of those kinds whether they buy from Tatas' or whether they import. No doubt Tatas' will try to take the fullest advantage of the duty.

Sir H. Freeland.—I would remark that although certain classes of steel, say rails for instance, can be manufactured by Tatas' they cannot supply all that we want.

President.—That may be. The proposal definitely made is—what we are trying to ascertain is its financial effect—that a protective duty should be put on those kinds of steel which were included in the list which we sent you.

Sir H. Freeland.—Whether they could be manufactured by Tatas' or not?

President.—Yes. Whether it is proper, right or expedient that this should be done is a separate question.

Sir H. Freeland.—We are going to assume that Tatas' might, if steel is protected, be able to manufacture all those classes of steel.

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* *Vide* Statement IV, Appendix B.

President.—It is difficult to say whether they will be prepared to manufacture some time next year all those kinds of steel to meet the full Indian demand. It is not only a question of the Tata Iron and Steel Co., but it is a question whether other firms would enter into the industry and start the manufacture of steel.

Sir H. Freeland.—Quite so. Under the circumstances what you really want to know is not only what we actually do purchase from Tatas but what we could purchase from Tatas.

President.—I take it that the figures given in Appendix A are your total requirements of steel?

Sir H. Freeland.—Yes.

President.—Do they apply to all sections?

Sir H. Freeland.—Yes, rails, fish-plates and steel sections.

President.—Your average for steel sections is 450 or 500 tons. I was wondering whether that was your full requirements. In view of the fact that you manufacture your own metre gauge wagons, your requirements in that would probably be higher than most of the other railways.

Sir H. Freeland.—In regard to steel sections, you mean that they come out here as such in one case and in the other case they come out as full wagons.

President.—Other railways purchase wagons, whereas you purchase your raw materials.

Sir H. Freeland.—Yes, we purchase girder sections for building frames Probably the lengths are slightly in excess of what is required. So if you want 20 ft., you don't actually buy 20 ft. but you buy an inch or two more.

President.—That is my point. Does this figure of 500 tons cover your whole requirements?

Sir H. Freeland.—Yes.

President.—But would 500 tons of sections be sufficient for wagons alone, apart from any other requirements?

Sir H. Freeland.—As I said, I did not go through these figures myself, but I think that they include everything. If you are going to draw deductions of an important nature, I must be quite sure that that is so.*

President.—It is desirable that we should know what the effect of any proposal we may make is going to be as accurately as we can. I think, for instance, in the case of bridge work, the steel you would purchase would usually be fabricated and therefore would not come under this heading?

Sir H. Freeland.—What do you mean by "fabricated"? What does that include?

President.—It includes all processes which the steel undergoes after leaving a manufactory such as the Tata Company's works at Jamshedpur, shaping, drilling, and so on. Mr. Mather is in a better position than I am to answer that question.

Mr. Mather.—That is the position in general terms. Anything that is cut to a particular length or drilled or punched or machined to suit a particular job, is generally regarded as fabricated, as it cannot be used for anything but a particular structure for which it has been cut.

President.—Fabrication work is the work ordinarily done by engineering firms in this country.

Sir H. Freeland.—What do you call steel sections with holes bored and cut to proper lengths?

President.—That would be regarded as fabricated steel.

Sir H. Freeland.—Plates are raw steel, I take it?

President.—Plates which are not drilled and are not cut to particular sizes and shapes are raw steel.

Sir H. Freeland.—I was not quite sure of the exact line you draw between fabricated and unfabricated. There is a doubt about that figure.

* It includes all materials for metre-gauge wagons—*Vide* Statement IV (2)

President.—At any rate as regards rails and fish-plates they are your total requirements?

Sir H. Freeland.—Quite so.

President.—In the case of rails and also, I think, in the case of fish-plates, you have arrived at the amount by multiplying the tonnage by Rs. 122-8-0, which is the figure at which Tatas are supplying rails at present. I have not verified it in the case of every item.

Sir H. Freeland.—That is correct.

President.—So long as Tatas are supplying rails to you under a contract, the price you would pay would not be affected by any protective duty that might be imposed: whereas if you import rails, can you take the figure of Rs. 122-8-0 as the figure on which duty would be calculated? As you know duty is calculated on the c.i.f. price. Can you purchase rails from England at Rs. 122-8-0 c.i.f.?

Sir H. Freeland.—We have placed contracts recently for the balance which we could not get from Tatas', namely, those they said they could not supply, I think that it comes quite close to Rs. 122-8-0. If you want to know the exact figures, I can give them to you.* I think that it is in the neighbourhood of Rs. 126 to 131, after adding freight and other charges but not duty.

President.—At any rate there may be a doubt in the case of these figures in the first place as to whether you are ever likely to import at so low a price as Rs. 122-8-0 and in the second place to what extent it is likely that you can buy in future at the price at which you can buy at present.

Sir H. Freeland.—I should not like to prophesy about prices.

President.—We had a good deal of information about that. On the whole the trend of evidence has been that prices must be now pretty near bedrock and that the manufacturer is making little or no profit. Whether he will be able to raise his prices depends on great many things which nobody can foretell.

Sir H. Freeland.—That is a matter of opinion. I should not like to say anything.

President.—Could you let us have the figures of the contract which has just been made? It would be convenient if you would send them to us in the same form as the Great Indian Peninsula Railway promised us yesterday, *viz.*, f.o.b. price *plus* freight and insurance *plus* landing charges.

Sir H. Freeland.—Yes.

President.—One interesting fact came out yesterday. Apparently the figure supplied to the G. I. P. Railway from London for freight is something like 17-6 a ton, which is distinctly lower than any freight rate of which we have heard. The figure we heard pretty often before was something like 23 shillings. Perhaps there has been some fall in freight rates.

Sir H. Freeland.—It is about 20 shillings now.

President.—As regards the question of price which would enable you to purchase rails from abroad: would it be possible for you to give us figures, say, from 1912 onwards?

Sir H. Freeland.—I will try *

President.—We want figures for two pre-war years to compare with the present level of prices.

Sir H. Freeland.—Yes.

President.—If there is difficulty in getting details for every year, it does not matter much. What we want really is the annual indent that goes home for rails.

Mr. Mather.—It would suffice if you would confine yourself to heavy sections.

Sir H. Freeland.—Yes.

President.—In answer to question No. 2, you first of all give the figures for non-structural materials now obtained from Tatas, average for 1 year is

* Statement IV (3).

per Appendix A, and then non-structural material now imported direct as per estimate of Controller of Stores. Then in the footnote you say that these figures include all structural steel purchased from Tatas but not structural steel imported from abroad.

Sir H. Freeland.—That comes in the next paragraph.

President.—Do you in fact import structural steel in a non-fabricated form?

Sir H. Freeland.—That is why I asked what was meant by "fabricated" in the beginning.

President.—The only importance of this is that some figure which might substantially affect the accuracy of the results might have been omitted.

Sir H. Freeland.—It is much more complicated than it appears on the surface, structural and non-structural, fabricated and raw. I know as far as metre-gauge wagon building programme is concerned, we get out sections which are structural steel. We get them in a non-fabricated condition, that is, in that condition which needs drilling, turning down, cutting off ends and so on. I do not think myself that all these figures I have given you are useful at all. I am quite sure that I got hold of the right thing. Take paragraph 2 to start with. You say "To what extent would the annual capital or revenue expenditure of your railway be increased if the import duty were raised from 10 to 33⅓ per cent." That in itself makes an enormous difference. Then you say "assuming that customs duty was payable on all imported materials." All imported materials may mean everything and these figures do not include all imported materials.

President.—We had to include it because as a result of the ruling of the Bombay High Court you are not actually paying customs duty now.

Sir H. Freeland.—But *all* the materials include machines, locomotives and wagons complete and the duty in that case is 2½, not 10 per cent. and therefore I did not put in anything that does not carry the 10 per cent. duty.

President.—That is perfectly correct so far as we are concerned. I think it is entirely correct to exclude machines, locomotives and boilers and it would be convenient to exclude wagons because we have got a separate letter about that.

Sir H. Freeland.—It does not exclude wagons at all.

President.—If it does include wagons, there is no harm done. What I was afraid was that owing to the heading "non-structural," the structural materials in the wagons were not put in. If it is included it is absolutely all right. We want them.

Sir Henry Freeland.—I know it has been included here but when you asked me whether it was included in Appendix A, I said I did not think so, and I must verify.* But in answer to question 2 all steel is included, whether it is structural, or non-structural or fabricated or raw, as long as it is not steel included under the 2 per cent. duty. All the 10 per cent. duty steel is included.

President.—In view of the answer to question 3 I doubt if fabricated steel is included in the answer to question 2.

Sir Henry Freeland.—Now that I understand what you mean by fabricated steel, I think it is included.

President.—How exactly are we to understand the figures in the answer to question 3? Are these additional to the figures in answer to question 2?

Sir Henry Freeland.—This is also 10 per cent. figure. As I said, the whole of the steel is included in questions 2 and 3. In one case, *i.e.*, No. 3, it is structural, which is not purchased from Tatas.' In other words, I mean by structural steel, bridge, girders and other heavy steel which we do not get from Tatas.

President.—You have shown in answer to question 2 that the increase of expenditure would come to Rs. 7·13 lakhs and then in answer to question 3 you have shown the increase Rs. 10·30 lakhs. Am I to add these two together?

Sir Henry Freeland.—No.

* See Statement IV (10).

President.—Then what precisely is the stuff covered by the answer to question 3?

Sir Henry Freeland.—It is all structural steel *not* obtained from Tatas, that is in a fabricated condition, and also paying 10 per cent. duty, not 2½ per cent.

President.—Is it mainly bridgework, parts of buildings, etc.?

Sir Henry Freeland.—The only things that we obtained from Tatas are rails and fish-plates and nothing else, so that all our structural steel sections are obtained by home indent. Our purchase here when compared to our importation is very small. Our home indents for structural steel, all fabricated, come to Rs. 34½ lakhs and the local purchase comes to Rs. 8·16 lakhs. The total comes to somewhat in the neighbourhood of 42¾ lakhs. There is a little bit more in addition to that imported for our metre gauge wagon construction, about Rs. 1½ lakhs. That brings it to Rs. 44 lakhs.

President.—That is how the figure Rs. 44 lakhs is arrived at but the distinction between the answers to questions 2 and 3 is not exactly the question of purchase from Tatas' because the answer to question 2 includes a good deal of the steel imported through the Controller of Stores. What sort of stuff does that include?

Sir Henry Freeland.—Mostly bars, plates and steel of that sort but not in a fabricated condition.

Mr. Mather.—You must import quite an appreciable tonnage of blooms and forgings for locomotives, etc.

Sir Henry Freeland.—Yes, but that too is not fabricated.

President.—As far as we can judge, I think these figures are what we want At any rate, we know now quite clearly what the grand total covers. It is possible that there might be a few transfers from 2 to 3.

Sir Henry Freeland.—These are averages for a few years and I do not know what would be a fair division between Capital and Revenue. If we have good years we may carry out a big programme of construction.

President.—I think the G. I. P. went very much on their 5 years programme That was the basis of their estimates. Of course they may not be accurate.

Sir Henry Freeland.—I know what 5 year programmes are. I do not look upon these figures as of much use.

President.—You say that these figures are well below the actuals for the next five years. Do you think it would be better to raise these figures by 10 or 5 per cent?

Sir Henry Freeland.—10 per cent. would be reasonable. In these averages the last two years have been kept back very much and we have not carried out any programme to the extent that was desirable. We are only carrying out our annual programme and we shall be spending a good deal more and I think if you put it at 10 per cent. more it would be reasonable. It would only be a conservative estimate.

President.—The whole question depends largely on whether the process of paring is going to continue., Then in answer to question 4 you say "the increase in expenditure must have the result of militating against a reduction in rates and fares, and probably will necessitate an increase therein." Could you give us approximate figures for your annual revenue expenditure and your open line capital expenditure in round figures. We do not expect exact figures.

Sir Henry Freeland.—The new capital programme is for Rs. 30 crores and our allotment is Rs. 3,20 crores per annum.

President.—Is it on open line expenditure for the next five years? Or is it on new construction?

Sir Henry Freeland.—The whole of it is open line expenditure.

President.—You require the whole of that for your open line expenditure?

Sir Henry Freeland.—I am not quite sure how much of that would include our railway programme.

President.—All I wished to ascertain was whether this figure of Rs. 3·20 crores which is your annual capital expenditure was entirely covered by improvements to existing lines.

Sir Henry Freeland.—To all intents and purposes you can put it down at Rs. 3·20 crores. We won't put it at anything more because this is what we will spend. Against that we will put the revenue programme at Rs. 1·25 crores. The revenue expenditure should be put alongside the capital expenditure.

President.—What is your total revenue expenditure?

Sir Henry Freeland.—You are now talking about expenses. This must not be put in at all.

President.—I take it you have to make purchase of steel?

Sir Henry Freeland.—In the ordinary course in our working expenditure.

President.—I want to find out what the total figure is.

Sir Henry Freeland.—You have to arrive at it by a process of percentages. Our budgetted gross earnings will show 11·80 or 12 crores. Our working expenses are about 62 per cent. of that or about 7½ crores.

President.—Does that figure include the programme expenditure on revenue works?

Sir Henry Freeland.—Yes.

President.—Could you not give us a rough guess as to how this Rs. 17 lakhs which was arrived at from the answers to questions 2 and 3, should be divided between capital and revenue?

Sir Henry Freeland.—I do not think I can do that. It depends very much on whether you are going to devote your attention chiefly to new works or to renewals. Up to now owing to the war we have been concentrating on renewals and the great bulk of our expenditure has been on programme works. Gradually now we are catching up our arrears in a few years time so that although in the next five years we shall be spending the great bulk of our money on the revenue side, after that we shall be spending more on capital additions and improvements. For the time being, for the next ten years, very roughly I say that 75 per cent. of this figure (the 17 lakhs) will go to revenue and it might drop down to 30 per cent. in ten years. After that time the balance would have changed over to the capital side. That is more or less supported by the figures we have worked out, but there are so many difficulties in it that we do not put much faith in it. I have said in answer to question 4 that the increase in expenditure must have the result of militating against a reduction in rates and fares, and probably will necessitate an increase therein. In fact, I think we have to reduce fares in any case whatever happens. My deliberate opinion is that you are not now able to put up rates in this country any more without losing traffic, in other words, the imposition of higher rates will not bring in any more revenue. It will merely reduce the amount of traffic and that is not for the good of India in any condition whatever. You can take it that if we thought that the traffic would bear a little more in certain directions we may be able to get back certain higher working expenditure by increasing our rates with discrimination. For example, we know there are certain additional burdens we will have to bear. We have got to pay more for our coal and that will mean 2 or 3 lakhs a year, and we have to find the money to pay for it. Nevertheless it is my deliberate opinion that you cannot put up the rates on this side of India.

President.—Are they already very high?

Sir Henry Freeland.—They are already very high: in fact I think we are losing a little traffic now in consequence.

President.—In that case you have already passed the limit, so that assuming that the higher tariff on steel increased railway expenditure, it might not be possible to recover any of it by raising your charges.

***Sir Henry Freeland.*—That is my opinion also. I am afraid you cannot get back increased costs by curtailing your overhead expenditure. Railways in**

this country have been subject to very strict financial scrutiny recently and for the last two years we have been carving down in every department and I think we have nearly reached the end. The only hope is being able to reduce wages and you know how difficult that is. Having once put up your wages it is extraordinarily difficult to bring them down. It is only by means of giving a lower scale to new entrants you can bring it down.

President.—The next point I should like to put is connected with both questions 4 and 5. You say "It has become increasingly difficult to justify the construction of new lines upon a financial basis." That is on the basis of a return of certain percentage on the capital invested. What is the working rule applied at present as regards this?

Sir Henry Freeland.—6 per cent. It is not only interest on capital but a certain amount is to be added for depreciation.

President.—There is a point connected with this whole question of the financial result to the railways in India of a protective tariff on steel. It arises from the fact that the Government is the proprietor of, and directly manages, a considerable section of the railways and is also proprietor of, though it does not directly manage, an even larger section of the railways. The proposal has been mooted that the State Railways finance should be separated from the ordinary budget of the Government of India, and they should be managed so as to return a certain percentage on their capital. If the higher tariff on steel were imposed a very considerable proportion of the extra expenditure incurred by the railways would return to the Government of India, itself the ultimate proprietor. Would it be reasonable under these circumstances if the Government of India were to take that fact into account in fixing the net return which they ought to expect from the railways on their capital expenditure?

Sir Henry Freeland.—I would put it from 5 to 5½ per cent.

President.—That is all a question of calculation of what the increase in duty would amount to.

Sir Henry Freeland.—It will affect borrowing and we have to borrow capital.

President.—The main question as regards borrowing would simply be this—that you will have to borrow more work.

Sir Henry Freeland.—What rate shall we have to pay for borrowing?

President.—I do not think it would affect the rate.

Sir Henry Freeland.—We are going to earn rather less than the rate at which we borrow, and meet the difference.

President.—That might be a serious matter if the whole of the capital invested in the railways of India had in the past been borrowed at 5½ per cent. The pre-war portion, however, was borrowed at 3 to 4 per cent. But apart from that it seems to me that there is an important point. The shareholders are of course concerned but to a large extent a higher tariff on steel would mean a transfer from one pocket of the Government of India to another.

Sir Henry Freeland.—Certainly.

President.—What I am suggesting is that it is an aspect of the case which ought not to be overlooked in considering this question.

Sir Henry Freeland.—You mean that the revenue still remains in the Government of India's possession?

President.—It is a matter of book-keeping in so far as the increased sums paid by the railways will return to the Government of India.

Sir Henry Freeland.—The general feeling is that railways should stand on their own feet and they should not be financed out of the public purse. I think you will have that argument used in the Legislative Assembly. I should not like to reply to it myself. It is really a question for the Chief Commissioner of the Railways and the Financial Commissioner to answer.

President.—After all looking at it in this way you yourself suggest that if protection is given it should be given by a bounty. So far as the State

railways are concerned if you take the Government of India as the ultimate proprietor it pays the money in either case.

Sir Henry Freeland.—Certainly that is the view that is generally taken and it comes to an issue like that which is being fought at the present moment, namely, whether railways should have a separate finance or the Government of India finance should be run on a general basis and include Railways.

President.—It might be dealt with once for all by reducing the net return expected from the railway by a percentage of net return expended on the railway.

Sir Henry Freeland.—Yes. In balancing the budget I suppose that would be reasonable.

President.—I mention this to you in case you are in a position to give an opinion on it.

Sir Henry Freeland.—I know a good deal of what is coming on but I am not at liberty to say what I do know.

President.—Of course that is a matter which we should certainly mention to the Railway Board. You say "It must not be forgotten, however, that there are many articles of manufactured steel which cannot be obtained in this country and upon which no increase of import duty is justifiable." I might say here, as I have said before, that our object is that unless an article is produced or is likely to be produced in India in the near future it should be excluded from the scope of any proposal we may make. That is certainly what we should like to do though it is sometimes difficult to discriminate.

Mr. Ginwala.—Looking upon the railways as a commercial proposition is there any reason why railways should be made profitable concerns by exempting them from taxation? Look at it purely as a commercial proposition.

Sir H. Freeland.—There is just as much reason to exempt the railways owned by the State from taxation as other Government concerns are exempted from taxation.

Mr. Ginwala.—The point is that it is the intention of the Government of India that the railways should be run on commercial lines and they ought to be made to pay their way. Does not that assume that the railways must have the same liability with regard to taxation and other matters as any other business concern? Why should they have special treatment?

Sir H. Freeland.—I did not ever consider that railways should be run as business concerns. I said that railways should be run on business lines.

Mr. Ginwala.—That is no doubt different. Take the P. and O. or any other line, they are run on business lines, are they entitled to claim exemption from taxation? Regarded as a purely commercial concern—is there any reason why the railways should be exempted from taxation?

Sir H. Freeland.—I do not know that they intend to run the railways on purely commercial lines; it has never been suggested. If Government shares were purchased by a company and they became business concerns pure and simple they would have to pay the ordinary taxes. If it is a Government concern I do not realize quite how you can compare them with a commercial concern.

Mr. Ginwala.—That brings us to the next point: by the mere fact that some of the capital is private capital does that entitle that capital to claim exemption from taxation: are the shareholders entitled to claim that they should be exempted from taxation?

Sir H. Freeland.—No.

Mr. Ginwala.—From the shareholders' point of view also there is no reason to exempt the railways from taxation?

Sir H. Freeland.—If I may explain the position: the company have made a contract with the Secretary of State, not with anybody in this country, on certain specific terms. The Board of Directors work the line on certain

specific terms and if one of the terms is that they should be exempted from taxation that ends the matter.

Mr. Ginwala.—Are there any such terms?

Sir H. Freeland.—I don't know: they do not mention specifically about exemption from taxation.

Mr. Ginwala.—What is the guaranteed interest on the capital in your case?

Sir H. Freeland.—3 per cent.

Mr. Ginwala.—What is the ratio of the surplus profit: in what proportion do they divide it?

Sir H. Freeland.—They divide it on the actual proportion of the preference capital in the concern.

Mr. Ginwala.—What is the total capital charge?

Sir H. Freeland.—It is just over 100 crores at the present moment.

Mr. Ginwala.—The Inchcape Committee has given it as 4 crores.

Sir H. Freeland.—That is absolutely wrong.

Mr. Ginwala.—It struck me as rather low. What did you say was the fixed capital?

Sir H. Freeland.—3 million pounds—partly preferred and partly deferred in stocks.

Mr. Ginwala.—They share in that proportion, I take it?

Sir H. Freeland.—Yes, on the surplus.

Mr. Ginwala.—Is it not a fact that in all railway accounts the surplus profits are charged to expenditure in the final accounts?

Sir H. Freeland.—I think so. I did not anticipate these questions, otherwise I would have brought my Chief Auditor here.

Mr. Ginwala.—It is important to find out really how much the shareholders would suffer if duties were increased. If surplus profits are charged to expenditure, the railway makes a greater return for the capital than is shown in the railway accounts.

Sir H. Freeland.—I am not quite sure about the question, or whether our surplus profits are shown on the expenditure side.

Mr. Ginwala.—I have some recollection that it was definitely said by somebody that surplus profits are charged to the expenditure, and the consequence is that net return is shown to be much smaller in the case of company-managed railways than in the case of State-Managed railways.

Sir H. Freeland.—I would like to find that out and send you the answer* later. But I doubt it.

Mr. Ginwala.—In your budget estimate for this year the surplus profits are shown at 1·09 crores. Assuming that was so, if it makes a difference to you of 17 lakhs in the case of an increased duty, only these surplus profits would be affected, isn't that so?

Sir H. Freeland.—Yes, I think that is right.

Mr. Ginwala.—So that it may not after all be necessary to raise the rates in your particular instance as it happens to be rather a remunerative line.

Sir H. Freeland.—I hope not, I don't think we can.

Mr. Ginwala.—With regard to rails, take Appendix 'A.' You have got certain contracts with the Tata Iron and Steel Company for six years from 1920-1926 for rails?

Sir H. Freeland.—Yes.

Mr. Ginwala.—In calculating these prices for rails what basis have you taken—I mean the rate at which you buy?

Sir H. Freeland.—We pay Rs. 122-8-0 for 90 lb. and Rs. 125 for 60 lb. rails. As I explained to the President I did not work it out myself and I have not got the table here, and I am afraid this evidence is not quite definite.

* Statement IV (4).

Mr. Ginwala.—It does not make any difference so far as the 6,000 tons are concerned, but with regard to the remaining 10,000 you may be out by considerable sums so far as the next 5 years are concerned?

Sir H. Freeland.—Yes, if the Home prices go up.

Mr. Ginwala.—The point is if the home prices go up the amount that you save by your contract with the Tata Iron and Steel Company will have to be set off against what you lose against the home contracts. Supposing the Home price is Rs. 150 a ton, you will buy 6,000 tons out of the 16,000 at Rs. 122-8-0, so on the 6,000 tons you will save Rs. 27-8-0 per ton?

Sir H. Freeland.—That is so, because we get it at a contract rate.

Mr. Ginwala.—In the event of prices going up your loss may not amount to very much?

Sir H. Freeland.—Our contract with the Tata Co. is that they will meet our demands to the utmost limit. 6,000 tons is not our limit.

Mr. Ginwala.—I understand the Tata Co. did not accept that view of the contract.

Sir H. Freeland.—It is a fact that they had disputed it. I am not quite sure that I see the point. Where do we save?

Mr. Ginwala.—By the contract. In calculating the total cost to the country we must take into account what you save by your contract with Tata.

President.—You won't have to pay any customs duty at all.

Sir H. Freeland.—That is the object of buying goods in this country: buy in this country and exempt yourself from the customs duty.

Mr. Ginwala.—What I was suggesting is that these figures require revision from that point of view. There are two things: first of all you do not pay any duty on 6,000 tons because it is a contract, and in the next place............

Sir H. Freeland.—I would like to modify that by saying that although we have these contracts we may not get even our 6,000 tons. Allotment is made by the Railway Board and if they consider that somebody else should get preference we may not get even our 6,000 tons: we may get nothing. We are not entirely free in this country. We sometimes get 2,000 or 3,000 tons, not because the Tata Iron and Steel Co. cannot turn out rails, but because they cannot meet the demand of all the railways in this country. We cannot say that 6,000 tons must be allotted to us if the Railway Board consider that some other railway must have prior consideration and that our demand was not so urgent.

Mr. Ginwala.—So allowance has to be made for that. I see your point. This Rs. 122-8-0 per ton is I think about the lowest price we have heard of since the war.

President.—You have not actually imported rails at Rs. 122-8-0 including your landing charges?

Sir H. Freeland.—No. Somewhere near Rs. 131 I think. I will give you these figures.*

Mr. Ginwala.—Making allowance for all these figures as to what you save on the 6,000 tons, assuming that you get your 6,000 tons, if the Home price went up, you would save a considerable amount of money. In making any calculation we must deduct this from the small loss that you may suffer from this increased duty.

Sir H. Freeland.—I am afraid I cannot argue about that. If we have the foresight to make a contract I should say that we should get credit for it.

Mr. Ginwala.—But we have to weigh the nett gain against the nett loss to the country as a whole.

Then the same argument applies also to fish-plates: it will be affected to the same extent.

Sir H. Freeland.—Yes. I see the line of argument.

President.—Whatever applies to one applies to the other.

* Statement IV (3).

Sir H. Freeland.—In other words if we made a contract in this country which is lower than the rate at which we can buy things from Home *plus* the increased duty, that should be considered as something which we have saved. I am afraid I cannot see that.

President.—When we are seeking to arrive at what the actual increase in expenditure to your railway would be as a result of paying a higher tariff duty, assuming that the law required that it should be paid by the railway companies, on that basis we must take into account that up to 1926 you will not be paying any duty at all and you will be getting them at a price below the imported price. But after all it is only a question of fact that we are after.

Sir H. Freeland.—I think in our exposition of the situation we have already given full credit to the fact that we are getting things cheaper now.

President.—The point is that allowance has not been made in your estimate of the increase in expenditure for the fact that a certain quantity of rails are going to be supplied at Rs. 122-8-0 a ton, that you are getting things cheaper in the country and not paying any duty. It is not really a question whether a saving is effected: it is just a question of what is going to happen.

Sir H. Freeland.—I see that point quite well. I would not like our argument to be whittled down on the assumption that we are going to get 6,000 tons of rails. I don't think you would be justified in thinking that we are going to get 6,000 tons of rails.

Mr. Ginwala.—When did you start purchasing rails from the Tata Iron and Steel Co.?

Sir H. Freeland.—Just after the war.

Mr. Ginwala.—There was no long term contract before that?

Sir H. Freeland.—I think we had.

Mr. Mather.—Did you not buy some in 1914 or 1915 or 1916?

Sir H. Freeland.—I cannot remember.

Mr. Ginwala.—In these figures that you have promised to give when the President was examining you, will you kindly give also the rates at which you were purchasing from the Tata Co., and the rates at which you imported?

Sir H. Freeland.—I shall include that in the statement.

President.—Up to the date of the commencement of the contract.

Mr. Ginwala.—I think the President has asked you to give us the imported price of the rails and fish-plates. The Tata Co. are claiming that they made these contracts which have turned out to be very unfavourable to them and that the railways have saved crores of rupees. We want to find out how that position stands.

Now with regard to the fabricated steel I was not quite able to follow what you said to the President. What is the amount in tons of fabricated structural steel?

Sir H. Freeland.—I have not got it, I am afraid, but I can get it for you.*

Mr. Ginwala.—Please do. On what basis is this total value worked out?

Sir H. Freeland.—In that there is the price *plus* freight, *plus* customs and clearing at this end.

President.—It is an average of two years you have told us.

Sir H. Freeland.—Yes, instead of three. Do you want the total weight of that?

Mr. Ginwala.—Yes.

Sir H. Freeland.—I don't think we can give you that accurately.

Mr. Ginwala.—It is not absolute accuracy that we want. The approximate quantity is quite sufficient for our purpose. I should like you to give us the price of non-structural and structural material other than rails and fish-plates. Take a few typical things like bars, channels, etc., of certain sizes and give us the prices for the last two or three years.

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* Statement IV (5).

Sir H. Freeland.—You want the approximate tonnage of the fabricated structural steel and the import price for the last two or three years of, say, mild bars, beams, etc., the highest and lowest price in each year, 1921, 1922 and 1923?

Mr. Ginwala.—Yes, the average prices for the last two or three years.

Sir H. Freeland.—We shall be able to give you our contract price.*

Mr. Ginwala.—That will serve our purpose. I am not asking you this question from any desire to examine the question of railway expenditure, but you stated that expenditure cannot further be reduced. This you say with reference to the present year, do you not?

Sir H. Freeland.—Efforts that were being made up to now are beginning to have effect. We are reducing our working expenditure considerably, but I don't think it will continue to be reduced like this. We have cut down to the bone.

Mr. Ginwala.—That is true. When we want to calculate the burden that would be imposed on you if the duty were increased we would take your previous expenditure into account.

Sir H. Freeland.—On which side of the account?

Mr. Ginwala.—Working expenditure. May I take it that there has been a considerable amount of saving wherever possible?

Sir H. Freeland.—We have reduced from somewhere in the neighbourhood of 77 per cent. the year before last to 70 per cent. last year and we expect to reduce it to 62 per cent. this year. I don't think a further saving below that is possible, until we are able to reduce the wages.

Mr. Ginwala.—And to work off your arrears of depreciation?

Sir H. Freeland.—Yes, that has something to do with it.

Mr. Ginwala.—I think you have stated that you are not satisfied with the result in trying to work out the burden on the capital side?

Sir H. Freeland.—It is a tremendously big business and if I take my audit office from railway work and put them on to that work we will have to shut down altogether.

Mr. Ginwala.—In your next 5 years programme you must have calculated the quantity of steel you are going to use?

Sir H. Freeland.—No, I have not. What I mean is this. I have got to get all my estimates sanctioned and it is no use giving you any figures at all till then. As I say my programme must be sanctioned and that my past estimates, such as they are, are not worth the paper on which they are written. They are all being revised. Therefore when you ask me what amount of steel I require for the next five years I say I do not know accurately.

Mr. Ginwala.—A certain estimate is given; that refers to all your programme, revenue or capital?

Sir H. Freeland.—That is what happened in the past and I think that it will probably go on like this. I could not divide it into capital and revenue.

Mr. Ginwala.—Can't you do it?

Sir H. Freeland.—Not unless you insist upon it. It is a very heavy job.

Mr. Ginwala.—We want to get an approximate idea. Will it be one-fourth capital and the rest revenue?

Sir H. Freeland.—I have told you that I think 75 per cent. is revenue. For the time most of our expenditure would go in renewals. The great proportion of our money spent on steel would go for another 10 years into the renewals-programme. After that, I think that the balance would come round to the other side.

Mr. Ginwala.—It comes to this. For the present most of the burden will be thrown on the current expenditure.

Sir H. Freeland.—Yes.

* Statement IV (6).

Mr. Ginwala.—Under present conditions, it is very difficult as you say, to separate the two.

Sir H. Freeland.—I have heard of other Agents in my position making estimates. I could go through them in a few minutes and say where they are wrong. So I do not propose to give estimates of that nebulous kind. That is why I am really not in a position to say anything accurate.

Mr. Kale.—From your point of view the establishment of a steel industry in India is a mere convenience. You don't attach more importance to it than that?

Sir H. Freeland.—It is a good deal, is it not? Convenience is what we really want. I am a whole hogger. I believe in the steel industry in India. I say convenience is a very good word. If it is going to give us the quality we want, I am very much in favour of it. Don't think that I am not.

Mr. Kale.—If the price is rather heavy for you, that is to say, if your expenditure is so increased that it embarrasses your finance, then certainly you would not pay that price?

Sir H. Freeland.—I would not favour it if it is going to mean a heavier expenditure than we now have to bear.

Mr. Kale.—Having to take a wider view of such things than any companies or individuals, Government may decide to protect steel; do you expect the Government of India then to compensate you for whatever increased expenditure you would have to incur as a result of that policy?

Sir H. Freeland.—I may say without boasting that railways are the greatest industry in the country. If you are going to prevent your railways being expanded and developed—I say prevent deliberately—you are doing the country a serious injury. I am not looking at it from the point of view of an individual. I am looking at it from the broad Government point of view.

Mr. Kale.—Let us assume that Government come to the conclusion that it must increase this duty for paramount national reasons, then, is it not the duty of Government to see that railways do not suffer because they are also a means of developing the country?

Sir H. Freeland.—It is for that reason I suggested that a bounty should be paid in preference to any increased duty on steel.

Mr. Kale.—You say in reply to question No. 6 that Tatas have not been able to meet all Railway requirements in articles which they manufacture and you have had to break up orders. I should like to know what particular articles you refer to?

Sir H. Freeland.—Rails and fishplates only in this case.

Mr. Kale.—They were unable to supply you the quantities you needed?

Sir H. Freeland.—No.

Mr. Mather.—I believe that you use steel sleepers on the B. B. and C. I. to some extent?

Sir H. Freeland.—Yes.

Mr. Mather.—You have adopted steel sleepers as your standard for broad gauge or metre gauge?

Sir H. Freeland.—Yes, for the 90 lbs. main line broad gauge and if prices are favourable for the 60 lb. main line metre gauge.

Mr. Mather.—May I take it that that will mean that there will be an increasing demand for steel sleepers during the next few years?

Sir H. Freeland.—Until the relaying programme is completed, there will be an increase in the demand for steel sleepers. Afterwards the demand would undoubtedly fall off because the life of steel sleepers is longer than wooden sleepers.

Mr. Mather.—In that case you have been obviously importing steel sleepers for some time. Would you mind giving us the prices for steel sleepers on the same basis as you have already promised us for rails?

Sir H. Freeland.—We have got contracts with Tata's for steel sleepers.

Mr. Mather.—I knew that the B. N. Ry. had. I was not sure that you also had a contract with Tatas for steel sleepers. If you could give us an approximate estimate of the amount of new sleepers you expect to lay in the next few years, it might be useful.

Sir H. Freeland.—Yes, I shall give it to you for two gauges.*

Mr. Mather.—I am considering the possibility of an expanding market for steel.

Sir H. Freeland.—Shall I give you the figures in tons?

Mr. Mather.—That would suit my purpose.

Sir H. Freeland.—For how many years do you want then?

Mr. Mather.—Certainly not further than five years.

Sir H. Freeland.—Yes.

Mr. Mather.—Can you tell me whether you use alloy steel crossings on your line?

Sir H. Freeland.—Not in detail. We have not actually experimented with this to my knowledge on the metre gauge. I am rather doubtful about the amount on the broad gauge.

Mr. Mather.—It is not specially liked or what is the position?

Sir H. Freeland.—Sometimes we carry out experiments on the metre gauge before we do on the broad gauge. I think I had better find that out for you. What is the object of the question?

Mr. Mather.—I want to know whether there is enough prospective demand for the alloyed manganese steel crossings which cannot be made in India to justify us to deal with that, specially in the event of any additional duty being put on steel. If only a few tons are to be used, it can be left to be treated along with some other classes of steel.

Sir H. Freeland.—Yes.†

President.—As regards the letter about wagons, I shall take the answer to question 8 which is of a general kind On this question the broad gauge and metre gauge seem to have some difference of opinion as to the proper policy to follow.

Sir H. Freeland.—I think it is obvious. One is able to undertake and turn out efficient material at very low prices and the other is not.

President.—Which of these two opinions should be taken as the opinion of the Company?

Sir H. Freeland.—For broad gauge purposes, there is no doubt in my mind that it is the opinion of the Company that both systems are sound. If a wagon building industry is established, it is desirable that they should take up broad gauge wagons first because they form a great bulk. I think that a big wagon building industry or big wagon building shops would be able to equip themselves with machinery which smaller people could not afford to use. They ought to be able to manufacture a good deal more on mass production than is at present possible. With the class of labour you get in this country, I think on the whole it would make for cheapness and efficiency. Of course railways have got their natural desire to keep their own work in their own hands. We have to make allowance for that. My metre gauge people, as you see, are thoroughly of the opinion that they can do things much better than Messrs. Burn and Co., and they are practically justified in their opinion. The price quoted by Burns was Rs. 5,400 without wheels and axles and it is more than double of what it costs us to do the work in Ajmer.

President.—As regards the question of price, I take it that the price was fixed in 1920, fully three years ago, when prices were 100 to 150 per cent. above the present level.

Sir H. Freeland.—That is what we had to pay.

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* Statement IV (7).

† See Statement IV (8).

President.—The change in price has been so enormous in the last th: years that the price fixed in 1920 looks very remarkable when it has got be paid in 1928.

Sir H. Freeland.—We have been trying to encourage this industry. Th ought to have built these wagons two years ago and they have not turn them out yet. I am only saying this because I want you to realise that v are not at all inclined to close down our shops and hand over. We have bee doing it for 20 years and we think that we have got to a state of efficienc which other people starting now will not attain for a good many years. O the other hand there are no broad gauge manufacturing shops at all. The broad gauge will give you a far bigger outturn, not only in tonnage but also in the number of vehicles and other things. I think that a wagon building industry for the broad gauge is desirable.

President.—When you say that mass production is desirable, what is the scale which you have in your mind as to the number of wagons they ought to be able to turn out?

Sir H. Freeland.—I was not thinking of the number so much as the standardisation of parts, wagon-frames, running gears and all the rest of it. One big works can turn out the whole of the under-frames of wagons. That is what I mean by mass production. I don't mean the number of vehicles. As to the question what is the number of vehicles you can actually construct in a shop under one single Superintendent, I want to get the opinion of the Mechanical Engineer. I cannot tell you what is meant by mass production in the matter of numbers in particular shops. It is very largely in my opinion a question of locating these shops in two or three different places. In this country of enormous distances you would not try and centralise shops. You would have to put down three or four shops in India.

President.—I take it that works situated in coalfields would in certain respects have natural advantages as regards costs.

Sir H. Freeland.—Yes.

President.—The order that you referred to as having been given to Messrs. Burn & Co., was given, I take it, to the Howrah firm and not to the Standard Wagon Company?

Sir H. Freeland.—I think so.

President.—Assuming that it is desirable that there should be a wagon manufacturing industry in India, the first question that arises is whether under the existing stress of competition it is possible at all, and the second question is how far it would be desirable to try an experiment for a limited number of years by giving orders to a company which would be able to turn out a sufficient number of wagons to enable them to manufacture to their full capacity. Of course the wagon builders in India at the present day cannot turn out anything like the full requirements of the country, and therefore there is an objection from that point of view to deal with the question by means of a protective duty. An alternative method which the wagon builders themselves have suggested and which they prefer—at least some of them do—is that a certain number of wagons should be open to competitive tenders in India only. Do you think that that would be an experiment worth trying for a limited number of years in order to give the industry a chance of showing what it could do?

Sir H. Freeland.—That has been done. In 1919, I think.

President.—But there was a condition that the cost must not exceed the cost of the imported wagon. That condition is not fulfilled at present.

Sir H. Freeland.—No.

President.—I think it is clear on the facts that have been put before us that if an experiment of that kind were to be made, it is going to cost something—it is not going to be done for nothing.

Sir H. Freeland.—If you are going to make an experiment of that sort, I take it that it will be desirable to bring in the element of competition. You are not going to hand it all to a single firm?

President.—The proposal put before us was that tenders should be called for in India and orders given to the firm giving the lowest tender provided the Government of India were satisfied that they could actually do the work.

Sir H. Freeland.—Who is going to come in? That is the trouble.

President.—That is perfectly true. What was suggested to us was that, if that was to be the declared policy, then some English firms might establish branch works in India.

Sir H. Freeland.—They will do so only on condition that the fiscal policy of the country will be established on a basis of protection and that it will not be changed for a period of years. I know a good deal about these companies. I have been in touch with many people at home who would like to know whether the time is ripe for them to come out here and this is the great argument they use: "we will not go into the country until we know exactly whether India is going to protect us or not." They would undoubtedly come out here and open branches in this country if they had a reasonable prospect of continuing with a reasonable profit for a period of 10 or 15 years. They would not do it otherwise. A good many of them have been out here and have gone back.

President.—There is this question: how far do you consider that the work of wagon building can be done by the general engineering firms who have a great deal of other kinds of work, and how far it is desirable that that should be done by the company that is doing nothing else?

Sir H. Freeland.—Undoubtedly by a company that was doing nothing else. Wagon building business is a highly skilled business. Not only that, but the firm that was doing all sorts of engineering works would not lay out for wagon works. Otherwise you spend a lot of money and make much unnecessary movement, which would put up costs.

President.—Turning back to your answer to question No 3, you have given details of costs of some of your metre gauge wagons. It is the first column that is important to us, *i.e.*, covered wagon 20′ I. R. A. Type M. A. 2. Are these ascertained costs of a particular year?

Sir H. Freeland.—These are the most recent figures which we can get out.

President.—In view of the rapid changes in prices of materials during the last few years it is of some importance to know to what period these figures relate.

Sir H. Freeland.—The most recent period.

President.—Are they figures of 1923?

Sir H. Freeland.—Yes.

President.—We have not got figures for broad gauge wagons and so we are unable to compare your figures with the figures supplied by the Standard Wagon Co. Take the mild steel. In answer to question 3, you have given the value and in answer to question 6, you have given the quantity. Mr. Mather, have you attempted to compare them?

Mr. Mather.—I have not compared them all in detail, but they appear to be fairly reasonable.

President.—According to these figures, the cost of the M. A. 2 type wagon is Rs. 1,845 and the balance is labour and general charges and machinery charges. These figures do not include any allowance for depreciation and so on, which a commercial firm manufacturing wagons would have to include.

Sir H. Freeland.—These figures do not include depreciation on buildings and machinery—I mean the interest on capital invested on machinery. Labour and general charges include shops and supervision. But there is nothing for general supervision, that is to say, I suppose some of my salary ought to go into it. These items are not included. Roughly you can put it at about Rs. 400. To get at the actual cost of a wagon, we would have to add another Rs. 400 to Rs. 2,485 and it would be Rs. 2,885.

Mr. Mather.—If you add Rs. 400 to this you get Rs. 2,885. Then you would take this as a basis for comparison with your British tender. If the British tender was for say Rs. 2,500 would you think it cheaper to accept their tender?

Sir Henry Freeland.—I do not think so because I have got my shop established. I have all the machinery and everything there and I should go on with that. We have deliberately established these shops and we should see them through cutting our costs if necessary and I think we should require a great deal more than dynamite to get us out of that.

President.—You think there is a possibility, or even a probability, that the price at present for imported wagons may not long continue?

Sir Henry Freeland.—I think the price may come down, but I do not think they will be able to compete with us in our price for a long time. In fact, I doubt whether they will be able to do it at all. There are comparatively few metre gauge lines in India and a wagon building industry for metre gauge is not something to be aimed at.

President.—Competition for broad gauge wagons is much keener than metre gauge?

Sir Henry Freeland.—Yes.

President.—Before the war did you make in your works the type of covered wagon comparable with A—2?

Sir Henry Freeland.—M.A. 2 has been undergoing the usual changes, what they call progressive standardisation. It is merely an evolution of the old type.

President.—The point is how do you find your cost of production when compared to your pre-war cost of production?

Sir Henry Freeland.—Much reduced. They are actually less than pre-war. The reason for that is that during the pre-war period, say 10 years ago, we did not really reach our standard of perfection. We were not able to do what we can to-day.

President.—But materials must be costing you more than pre-war.

Sir Henry Freeland.—Only a shade more. Three years ago it was considerably more but at the beginning of this year it was lowest.

President.—Have you actually compared the prices of materials before the war and now?

Sir Henry Freeland.—I have actually compared them. I am always working at the figures but I cannot say at the moment how much it is below.

President.—Price of materials only? I can quite understand that you compare from the charges of the year whether the total cost is less but I want it for materials only.

Sir Henry Freeland.—I do not know in precise detail.

President.—All this is of great interest in connection with the possibility of establishing a wagon building industry in India. If ten years ago you were not able to secure really economic production but as a result of 10 years—I suppose you have been thrown back during the war—you have succeeded in bringing down your cost of production below the pre-war figure even though the materials cost you more, that is a very important point as establishing the possibility of getting efficient work in India. As we have not got figures of the broad gauge wagons it would be convenient to us if you could tell us more about it.

Do you wish to hand that note in?

Sir Henry Freeland.—I do not wish to hand it in as a conclusive memorandum. I am afraid my ideas are put very briefly and I think perhaps the best way would be if you just look through it and say if you wish to ask any questions about it. It answers my purpose and only deals with the question of wagons.

President.—I see it is of a general kind.

Sir Henry Freeland.—This note gives the result of our own experience. We have built upon these lines. In the first instance, I know we were very expensive and we had to import our materials ready in every respect and merely erected wagons. By degrees we established machines, established our furnaces, our cupulas and we had reasonable success in our castings. We also did a certain amount of simpler forgings. But now we are erecting locomotives and from the raw materials build our own boilers, cylinders and under-frames and complete locomotives—all in fact, except certain fittings like tyres, axles which we cannot construct. We have no blast furnace and we cannot forge our axles.

Mr. Mather.—What about springs?

Sir Henry Freeland.—Our locomotive springs are imported as springs: our wagon springs are imported in lengths and cut up and assembled. We cannot make springs of course. If we break the leaves of our springs on the locomotive we merely replace them. The point I want to make is that if we had tried to do these all at once we should undoubtedly have been very costly in our operations. Judging from the amount of imported skilled labour required to carry out the work, our overhead charges would have been enormous.

President.—There is a little difficulty I think for a wagon industry starting and developing on these lines, and I think, that is proved to a certain extent by the experience of Burn's and Jessop's for the railway administrations themselves are their rivals if they start in that way. Supposing you simply start to erect wagons, and railway administrations do exactly the same thing, the wagon builders here won't get so many orders as would in the natural course go to them to enable them to operate on a big scale and get ready for the next stage. They never could get going.

Sir Henry Freeland.—But Government could quite safely assure them of big-scale operations and give them orders of a definite nature increasing, if they like, year by year.

President.—But so long as the Railway administrations were doing a great deal of work themselves it is a little difficult for these companies to get along.

Sir Henry Freeland.—No broad gauge railway is doing more than erecting its own wagons.

President.—The evidence before us is that right up to October 1922 the price of the imported wagon was very high—well over Rs. 5,000—and then came this tender to the Railway Board for wagons which worked out at Rs. 3,500 (excluding wheels and axles) for the A—1 wagon as compared with tenders exceeding Rs. 5,000 sent in by the Indian builders. The Tariff Board consider it important to ascertain, if they can, whether it was a price which really left no profit to the manufacturer at any stage of the manufacture. If so, one is entitled to say that the prices cannot stay at this low level for long. They will either make a profit or go out of the business. On the other hand, it may be that the evidence we received in Calcutta was too much inclined to the view that this is a knock-out and nothing else, and that they were not giving any weight to the real reduction of cost. What we want your figures for is to compare them with the figures put up by Messrs. Burn and Co., Messrs. Jessop and Co., and the Standard Wagon Co. That is why we require figures for materials and so on.

Sir Henry Freeland.—I will have them prepared for you.*

President.—That is the point of view from which we have approached the question, to ascertain what the difference in price between the Indian manufacturer and the English wagon manufacturer is going to be.

Mr. Ginwala.—Do you get these broad gauge wagons with vacuum brakes or without?

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* Statement IV (9).

Sir Henry Freeland.—In all cases the new covered broad gauge wagons and the new big type open wagons come out fitted with vacuum brake.†

Mr. Ginwala.—What I wanted to know was whether in the last year's contract certain wagons were purchased by the companies through the Railway Board, and whether they included vacuum brakes.

Sir Henry Freeland.—I have to qualify that to some extent by reason of the decision come to by the Railway Conference this year. The decision was that we should order no more wagons with brakes. In future, wagons will not come with the vacuum brake. They will come out piped.

Mr. Ginwala.—What about metre guage wagons?

Sir Henry Freeland.—Metre gauge wagons have no vacuum brakes.

Mr. Ginwala.—The reason why I wanted to know was to compare the broad gauge wagons with your metre gauge wagons. Again, we were given to understand by Mr. McLean yesterday that the price of the open wagon C/2 type broad gauge was Rs. 3,112 c.i.f. and that of the covered wagon A/2 was Rs. 3,067 c.i.f., without wheels and axles. In your figures I take it that you have purchased your materials and so on at as economically a rate as possible.

Sir Henry Freeland.—I do not purchase direct. Presumably, the lowest tenders are accepted.

Mr. Ginwala.—The cost of materials comes to Rs. 1,800 in your metre gauge wagon excluding labour charges. May I take it that about 7: 4 will represent the materials used in a broad gauge wagon roughly?

Sir Henry Freeland.—I do not know.

Mr. Ginwala.—The amount of steel used is 10 tons in one case and in the other 4 tons, without wheels and axles.

Sir Henry Freeland.—I have not taken that figure. It is of no value to me.

Mr. Ginwala.—According to your figures if you take the proportion of 7 to 4 for the broad gauge wagon, the materials alone will cost Rs. 2,300, whereas the whole of the finished wagon is delivered here, without wheels and axles, for Rs. 3,100; so that when Burn and Co., say that this is a case of dumping it is more or less in accordance with your figures. To all these figures must be added Rs. 700 for the vacuum brake, so that according to these figures the total cost of the materials with the vacuum brake would come to Rs. 3,000.

Sir Henry Freeland.—Do the figures of the G.I.P., include vacuum brake or not?

Mr. Ginwala.—I want to assure myself whether my recollection is right.

Sir Henry Freeland.—Rs. 3,100 is so ridiculously small for a broad gauge wagon. I have never heard of such a price at all.

Mr. Mather.—On the question of comparing your material price for the M.A. 2 wagon, I presume that as a rule you carry a considerable stock of steel in your workshops?

Sir Henry Freeland.—Yes.

Mr. Mather.—It seems to me just possible that these prices may be influenced by that. Although the wagon was built in this year, as you have already told us, this price of steel may be that of the steel which you bought in 1920 or 1921 if your stocks go so far back. Can you say whether in working out costs you debit against these things the book price of the material?

Sir Henry Freeland.—Yes. We do.

Mr. Mather.—If that material is old stock the price of it may not have any relation to the present price.

Sir Henry Freeland.—We do actually debit book prices.

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† See Statement IV (13).

Mr. Mather.—You do not write your stocks down?

Sir Henry Freeland.—We have to write down after a period of years—say once in ten years—but we have not written down the high prices of two years ago. So I think you are probably perfectly right when you say that in these materials there may be steel material which we bought at the top of the market.

Mr. Mather.—As the President and Mr. Ginwala suggested, we shall be able to compare these prices of materials with the prices given by Burn's and Jessop's, but since this is your procedure the prices will not be in a comparable form, because the prices given by Burn's were the prices of materials quoted to them in August.

Mr. Ginwala.—In that case may I suggest that you substitute for these figures the prices of 1922? You must have imported materials at that time.

Mr. Mather.—Possibly we may be able to judge the effect of this when we get the figures, which Mr. Reith has already promised to send us for bars, beams, etc., in 1921, 1922 and 1923, and when we see that the prices they are paying now are different from those of Burn's and Jessop's for the same kinds of article then we can draw the obvious deductions. It will give us some clue. We have the quantities used here. We are told definitely below in answer to question 6 that 36·5 cwts. of structural steel were used in a M. A. 2 wagon. We have the price above at Rs. 550, which includes a certain number of miscellaneous things. When we get the real prices for this year for structural steel we may then be able to say what this 36·5 cwts. cost.

Mr. Ginwala.—It should not be difficult to substitute for these actual figures. We would like to compare the prices of 1922-23. You might be able to get them from the Works Manager and substitute these figures.

Sir Henry Freeland.—Would you kindly tell me what you want me to do?

Mr. Ginwala.—Mr. Mather has raised a point which would certainly alter the figures. What I want to compare is your cost on the 1922-23 figures. You said that these might be book values.

Sir Henry Freeland.—These are the most recent costs but in compiling these costs we may have used book figures which are very much higher than the present rate.

Mr. Ginwala.—Substitute the real values for the book values in the case of the M. A. 2 wagon.* You do not pay any duty now on any of your raw materials?

Sir H. Freeland.—We pay duty but under protest.

Mr. Ginwala.—Will your charges include duty?

Sir H. Freeland.—No.

Mr. Ginwala.—If any outside manufacturer, say Messrs. Burn and Co., or the Indian Standard Wagon Co., supplied you with wagons at this price you would consider that you had got a good return for your money?

Sir H. Freeland.—I don't see why not, if we get good value for our money and they are up to standard quality.

Mr. Ginwala.—And if it is to the interest of this country that the Railways should buy at the price at which you can produce your wagons?

Sir H. Freeland.—I personally think that so far as the metre gauge is concerned it would be to our advantage to make them ourselves.

Mr. Ginwala.—But apart from that I mean?

Sir H. Freeland.—Certainly.

Mr. Ginwala.—With regard to the wheels and axles what is your opinion? Would it not be to the advantage of the country if basic steel could be used

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* See Statement IV (9).

for wheels and axles, except the tyres, because you have it available in the country? Is there any insuperable difficulty in that?

Sir H. Freeland.—I don't think that there is but at any rate we know that the axle is the most important part of a wagon. If there is a flaw in it or if it is not the best stuff we have accidents. It means heavy cost to us quite apart from the loss of life. We should therefore take every possible precaution that the very best steel is obtained for wheels and axles.

Mr. Ginwala.—When this is permissible?

Sir H. Freeland.—What do you mean by permissible? We have got to take the greatest possible precaution. Our responsibilities are too great.

Mr. Ginwâla.—But this body that prescribed the British standard specification has allowed an alternative. That body must have taken into account the factor of safety?

Sir H. Freeland.—Quite right.

Mr. Ginwala.—The suggestion is this—that you cannot have a wagon building industry in this country unless you can practically manufacture everything that you require for a wagon, and if you are not able to manufacture your wheels and axles, your industry would be incomplete and to that extent it would be a drawback. The question arises whether, to make the wagon building industry complete in this country, there is any substitute which may be adopted with reasonable safety for the manufacture of wheels and axles?

Sir H. Freeland.—We have got to find that. I don't think I can give any opinion on it which would be useful to you. I have no doubt that somebody will come along and say he can make it of some material which will be good enough and if it is good enough it will undoubtedly be adopted. No experiment on open lines is permissible with axles.

Mr. Ginwala.—What are you to do if you want to find a substitute?

Sir H. Freeland.—There are methods of testing axles; of course they do not involve running of trains.

Mr. Ginwala.—You can apply mechanical and other tests?

Sir H. Freeland.—If axles built in this country prove to be in every way equal to the existing kind of axles that we use, we would adopt them if the price is not too much.

Mr. Ginwala.—So far as your Railway is concerned, has it really considered the question of using basic steel for wheels and axles in place of acid steel?

Sir H. Freeland.—I think not.

Mr. Ginwala.—With regard to your experience of Burn and Co.,—of course it was a very valuable bit of information that you have given—I want you to amplify that: what was the trouble with the wagons? Their case is that their goods are as good as the imported article.

Sir H. Freeland.—We have had one case in which, taking the whole body of a wagon, we found the longitudinal frames were long in measurement and the buffers were of unequal heights. We had to strip the wagon and rebuild it in another case. If you like I can show you our letters to them. I did not feel inclined to say so much but the work was so bad that we had to complain.

Mr. Mather.—Have you reported to the Controller of Inspection, Calcutta Circle, about this?

Sir H. Freeland.—Yes.

Mr. Ginwala.—It is of great importance for us to know, in considering whether an industry deserves protection, whether it fulfills the conditions.

Sir H. Freeland.—Undoubtedly they can and will in due course, but they have not succeeded so far.

Mr. Ginwala.—How long ago was this?

President.—That was one of the old orders in 1920?

Sir H. Freeland.—They have not fulfilled the order yet.

Mr. Ginwala.—Don't you think this is an argument in their favour that the orders are very irregular?

Sir H. Freeland.—I think as a matter of fact Messrs. Burn and Co. are building many wagons. They have not built for us because we have our own works. I know the broad gauge lines have given them orders. My broad guage line has not given any orders but I know that the State lines have and their experience will no doubt be more valuable than mine.

As a matter of fact probably one of the reasons why the metre guage work is so badly executed is that they have had so little of it, but they had a lot of broad guage work.

Mr. Ginwala.—We have heard no complaints so far about that.

Sir H. Freeland.—That's good, but so far as the metre gauge is concerned, I would not place an order, if I can help it.

Mr. Ginwala.—Would they have to get extra plant for the metre guage work?

Sir H. Freeland.—It is similar but of course it has different dimensions—a slightly different method of construction.

Mr. Ginwala.—Are the machines adaptable to either work?

Sir H. Freeland.—Yes. The metre guage wagons have a central buffer and coupling arrangement while the broad guage have side buffers and central coupling.

Mr. Ginwala.—I want to ask you questions about metre guage No. 5. You say that you paid Rs. 5,231 without wheels and axles in addition to freight from Calcutta?

Sir H. Freeland.—We had to pay of course the freight extra on that. Rs. 5,231 does not include the freight. The bodies were loaded up on broad guage bogies and at Cawnpore they were put on metre guage line.

Mr. Ginwala.—You say "without wheels and axles but with A.V.B. in addition to freight charges...". So that this Rs. 5,231 did include the vacuum brake?

Sir H. Freeland.—That is bad wording. They have all got to be added.*

Mr. Mather.—This Rs. 5,231 does not include wheels and axles, the vacuum brake or freight charges?

Sir H. Freeland.—We don't have vacuum brake on our metre gauge.

Mr. Ginwala.—What is the unit of your plant—how many wagons can you build a year?

Sir H. Freeland.—The carriage and wagon works are at the present moment capable of turning out about 630 wagons per annum. Our programme for wagons is, reduced by about 76 bogey carriages worked on a 4-wheeler basis. You may say that 550 4-wheeled goods wagons can be constructed at present in our Ajmere workshop.

Mr. Ginwala.—Would there be any economy if the plant were bigger?

Sir H. Freeland.—I don't think so. Quite apart from the fact that it is desirable to expand, I don't think we should be able to save by the expansion of our works. A greater number of wagons would result but no economy.

Mr. Ginwala.—The reason why I am asking this is this: the total demand for broad guage wagons at present is 3,000 a year?

Sir H. Freeland.—I was considering the metre guage.

Mr. Ginwala.—And the demand for the metre gauge, I take it, is 7,500?

Sir H. Freeland.—I don't think as many as that but I don't know. During the war we stopped our building programme because we could not

* See Statement IV (9).

get steel, but we had to send a lot of wagons to Mesopotamia, so we are now catching up.

Mr. Ginwala.—The reason why I was asking you was that it has been suggested that the demand for wagons is not sufficiently high to enable other capitalists to come in, in order that there may be competition. Supposing a person got an order for 500 or 600 wagons, the plant could be run economically enough?

Sir H. Freeland.—For broad guage most certainly. We have repair facilities here at Mahaluxmi—my broad gauge line is very much shorter. We have an equipment on the B., B. & C. I. Railway of 10,000 wagons and we can build 7 to 800 wagons a year. Certainly after receiving the materials here and with our existing facilities for repairs we can do at the rate of 250 wagons a month, so that the total capacity of the shops per annum would work out to about 3,700.

Mr. Ginwala.—That would be a sufficiently big plant to show the necessary economy?

Sir H. Freeland.—Yes.

Mr. Ginwala.—In your accounts do you keep job accounts or total works account. On what basis are these accounts kept?

Sir H. Freeland.—Job account or work orders. Estimates are made for, say, 30 M. A. 2 and so on. That is all allocated under different heads; everything that comes into that, material, labour, etc., is charged to that account.

Mr. Ginwala.—Will there be a separate heading for, say, power?

Sir H. Freeland.—We have just put up our new power house but all the charges for power are allocated to the different jobs, I mean each separate estimate.

Mr. Ginwala.—They are all included under labour, general charges, machinery charges and so on?

Sir H. Freeland.—Yes.

Mr. Ginwala.—Except your general office charges? They are not included?

Sir H. Freeland.—No. Of course there are things like the Audit office which is an expensive item. I would put that figure at about Rs. 400, but I do not know if that is an accurate estimate.

Mr. Ginwala.—I want to ask a few question about the steel castings. Can you say approximately what proportion of your steel castings are sold to private firms and whether it is your policy to go on supplying steel castings to private firms now that there are steel casting firms in India?

Sir H. Freeland.—We do not propose to cast steel for anybody else. It is not a business we want to undertake. We have in the past a certain amount, but under great pressure.

Mr. Mather.—Before the war when you were selling an appreciable quantity of steel castings outside, or making for your own purposes, did you find a heavy demand for heavy castings, say 1½ ton?

Sir H. Freeland.—I don't think we did.

Mr. Mather.—All your steel castings are made in converters?

Sir H. Freeland.—Yes.

Mr. Mather.—For that of course you import English pig iron?

Sir H. Freeland.—Yes.

Mr. Mather.—I don't find much indication that you use cast steel axle boxes. Do you use cast iron axle-boxes?

Sir H. Freeland.—We get from home broad gauge wagons complete with axle boxes but for replacing a broken axle-box we do a good deal of casting in Ajmere although we are not able to fulfil the whole of our requirements.

Mr. Mather.—You are still buying a certain number of cast steel-axle boxes?

Sir H. Freeland.—Yes.

Mr. Mather.—Have you got any in India?

Sir H. Freeland.—I don't think so. I am not quite sure of the answer that I have given. I know that recently we supplemented our Mahaluxmi shops here by getting private firms to do some work for us. If you like to know that I would just ask and find out.*

Mr. Mather.—Yes, that would be useful.

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* No. *Vide* Statement IV (11).

No. 85.

East Indian Railway.

WRITTEN.

Statement I.—Replies to questionnaire No. II (a) (Steel Castings).

1. (*a*) We do not import steel castings as such. Our steel castings are made in our Jamalpur Workshops.

(*b*) The chief uses of steel castings on a railway are—

For Bridge work.—As knuckle joints on the bed plates of piers, centres for turn tables, etc.

For C. and W. Department.—Draw bar face plates, bogie centres, etc., and perhaps axle-boxes. We have received a number of so called cast steel axle boxes, but I believe they are what is known as semi-steel which is, so far as I am aware, not made in India.

If cast steel axle boxes were adopted in lieu of cast iron ones which are in general use, our probable requirements would be about 150 to 200 tons of steel castings annually.

For Loco. Department.—Wheel centres, spectacle plates, cross heads, foundation rings of fire boxes, fire boxes, roof stays, bogie centres, axle-boxes, etc.

(*c*) Detailed information is not available.

(*d*) We do not as a rule import steel castings separately from the complete stock. In the event of a replacement being necessary, we make our own steel castings at our Jamalpur Workshops.

	Tons.
2. Year ended 31st March 1922	176
Year ended 31st March 1923	263

3. The quantity of mild steel scrap available for disposal varies, but from this Railway it can be taken as anything between 3,000 and 5,000 tons annually.

G. L. COLVIN,
Agent, E. I. Ry.

Statement II.—Replies to questionnaire No. II (b) (General).

(1) For the purpose of reply, steel has been divided into two heads, *viz.*—"Rails" and "Rolled Sections," the latter comprising joists, channels, angles, tees, flats, etc.

For rails our estimated annual requirements can be taken at an average of say, 23,000 tons heavy section rails.

"Rolled Sections"—We not only import but we purchase locally and in addition the rolling mills at the Jamalpur workshops turn out a considerable quantity

The annual requirements of rolled sections to be purchased might be taken as between 2,500 and 3,000 tons.

The quantities of mild steel manufactured in our works during the past 2 years were—

Year ending March 1922	Tons	3,742
" " " 1923	"	5,858

The total probable annual requirements of this railway may be taken at 8,000 to 9,000 tons.

(2) Taking the above quantities of rails and rolled sections and assuming the price (excluding import duty) of rails at Rs. 150 per ton and of rolled sections at Rs. 180 per ton, the total cost of our annual requirements is—

Rails	Tons 23,000 × Rs. 150 =	Rs. 34,50,000
Rolled Sections	" 3,000 × " 180 =	" 5,40,000

It is estimated that of the 23,000 tons of rails, 14,280 tons will be required for relaying 100 miles of permanent way and the balance of 8,720 tons for Capital works, and that the 3,000 tons of rolled sections are for Capital works. We cannot readily allocate this latter quantity between Revenue and Capital.

On the above basis, the charge to Capital and Revenue of the cost of 23,000 tons of rails and 3,000 tons of rolled sections is approximately as follows :—

	Capital.	Revenue.
	Rs	Rs.
14,280 tons of rails (Relaying 100 miles) .	1,33,000	20,09,000
8,720 tons of rails (Doubling line) . . .	13,08,000	
3,000 tons of rolled sections	5,40,000	
Total (without duty) . . .	19,81,000	20,09,000
Import duty—10% (roundly) . . .	1,98,000	2,01,000
„ „ —33⅓% (do.)	6,60,000	6,70,000
Additional expenditure due to enhancement of import duty from 10 to 33⅓% . . .	4,62,000	4,69,000

(3) It is presumed that "Structural steel in a fabricated condition" includes—

Bridges, turntables, steel structures of sorts, wagons and underframes of coaches, but does not include locomotives or spare parts of same.

It is also presumed that it is intended to levy 33⅓ per cent. duty on the value of the finished structure.

Our average annual requirements of wagons in the next five years are roughly 2,000 of which 1,300 are additions and 700 for replacements

The cost of fabricated steel required for 2,000 wagons (excluding wheels and axles) is Rs. 59,55,000 (excluding import duty) and is chargeable to Capital and Revenue as follows :—

	Capital.	Revenue.
	Rs.	Rs.
1,300 wagons (additions)	38,71,000	
700 wagons (replacements)	7,97,000	12,87,000
Total (without import duty) . . .	46,68,000	12,87,000
Import duty at 10% (roundly) . . .	4,67,000	1,29,000
Import duty at 33⅓%	15,56,000	4,29,000
Additional expenditure due to enhancement of import duty from 10 to 33⅓% . . .	10,89,000	3,00,000

The cost (excluding import duty) of steel underframes required for coaches and of structural steel required for other purposes is as follows :—

	Rs.
Value of steel underframes for coaches, brake vans, &c. (excluding wheels and axles) imported during 1922-23 . .	3,28,000
Structural steel imported during 1922-23	16,84,000
„ „ locally purchased	4,80,000*
Total Rs.	24,92,000

* The actual cost was Rs. 5,28,000, and Rs. 4,80,000 represents what the price in India might have been if there were no 10 per cent. duty on imported steel.

Assuming that the above is required all for Capital purposes, the additional expenditure on account of the enhancement of the import duty is as follows :—

	Capital.	Revenue.
	Rs.	Rs.
Cost of steel and structural steel (without import duty)	24,92,000	
Import duty at 10% (roundly)	2,49,000	
Import duty at 33⅓% (ditto)	8,31,000	
Additional expenditure due to enhancement of import duty from 10 to 33⅓%	5,82,000	

The total additional expenditure that will result from the enhancement of import duty from 10 to 33⅓% is—

	Capital.	Revenue.
	Rs.	Rs.
Rails and rolled sections	4,62,000	4,69,000
Structural steel imported in a fabricated condition—		
Steel for wagons	10,89,000	3,00,000
Steel for coaches and structural steel	5,82,000	
Total Rs.	21,33,000	7,69,000

There will also be an additional charge to the Railway Revenue Account of interest at 5½% per annum on the additional Capital expenditure of Rs. 21,33,000, which amounts to (roundly) Rs. 1,17,000, thus bringing the estimated additional annual expenditure on account of the proposed increase of the import duty on steel to about Rs. 30 lakhs. This is probably a conservative estimate, and does not take into account other less visible effects. For instance, it is probable that the protective effects of a largely increased duty would result in a successful demand for higher wages from those engaged in the industry. This would react upon our workshop employés, and through them, throughout the lower paid ranks of Railway servants.

(4) With such a heavy additional expenditure it seems evident that it will be difficult to make reductions in rates and fares and I am of opinion that the increased expenditure must eventually lead to an attempt to increase rates.

(5) Yes.

(6) The establishment of steel industry in India is, I consider, desirable provided only that it can compete with the imported article without further assistance such as is already provided by the present import duty, sea freight, landing charges, lower rail rates and the Railway Rebate on raw materials to certain existing iron and steel works.

(7) Assuming that the industry cannot be established without protection and that it is decided that assistance is to be given, it appears to me that it should be given by means of a Government subsidy on examined costs of production. A subsidy should, in my opinion, prove less costly than an outright increase in the import duty at the rate contemplated.

I may add that the question of increasing the import duty on steel has recently received close consideration by the Boards of Indian Railway Companies, who have addressed the Secretary of State for India with the request that their views may be placed before the Government of India.

The Boards are of opinion that an import duty of 33⅓ per cent. would raise the price of steel and other steel products to such an extent as to add very seriously to the Capital and Revenue expenditure of Railways, and would necessitate a further increase in railway rates, if the present very moderate standard of net earnings is to be maintained. The Boards agree that the maintenance of the steel industry in India is admittedly a matter of national importance, but they are averse, on economic grounds, to a high protective

tariff which would affect the development of Indian industries and be a great hardship on small consumers throughout the country, and consequently tend to retard the growth of railway earnings. They foresee the effect of the proposed tariff upon the wagon building industry, and its possible future application to imported locomotives, and they are of opinion that, if it is proved that additional protection is needed to maintain the steel industry in India, it should be afforded by means of a bounty or subsidy and not by an increase in the tariff.

APPENDIX A.

(Referred to in Question (1) above.

(*a*) Kinds of Steel.—The steel manufactured by the Company at present is by the Basic Open Hearth process.

(*b*) Steel products being manufactured now—

Rails with corresponding fish plates.	Joists. Ins. Ins.	Channels. Ins. Ins.
30 lbs. F. F.	4 by 1¾	1½ by 1¼
35 ,, ,,	5 ,, 3	1½ ,, 1⅜
40 ,, ,,	6 ,, 3	2 ,, 1½
41¼ ,, ,,	7 ,, 4	3 ,, 1½
50 ,, ,,	8 ,, 4	4 ,, 2
60 ,, ,,	9 ,, 4	6 ,, 3
75 ,, ,,	10 ,, 5	7 ,, 3
85 ,, ,,	12 ,, 5	8 ,, 3½
88½ ,, B. H.	12 ,, 6	9 ,, 4
90 ,, ,,	15 ,, 5	10 ,, 4
90 ,, F. F.	15 ,, 6	12 ,, 4
14 lbs., 18 lbs. and 24 lbs. (Light rails with fish plates).		

Equal Angles. Ins. Ins.	Unequal Angles. Ins. Ins.	Rounds. In. Ins.
1¼ by 1½	1¼ by 1	½ to 5 diameter.
1½ ,, 1½	2 ,, 1½	
2 ,, 2	2½ ,, 2	
2¼ ,, 2¼	3 ,, 2	
2½ ,, 2½	5 ,, 3	
3 ,, 3	6 ,, 4	
3½ ,, 3½		
4 ,, 4		
5 ,, 5		
6 ,, 6		

Flats.	Squares.	Tees.
1 in. to 6 ins. and 8 ins.	¼ in. to 3¼ ins.	2 by 2 by ¼ in. 2½ ins. by 2½ ins. by ¼ in.

Octagons.
⅜ in. to 1¼ ins.

A copy of our catalogue giving full particulars as regards the different sections of rails and structural steel is attached.

When the Greater Extensions are completed the output of rails and structural steel will be very much increased.

(c) We expect to manufacture the following materials before the end of 1925 in addition to the materials which are already being manufactured by our Works. Our present estimate is as follows :—

Steel Sheets—36,000 tons .	Width up to 38 ins. and any gauge from No. 10 to No. 32.
Steel Plates—48,000 „ .	$\frac{1}{8}$ in. $1\frac{1}{4}$ ins. thick.
Steel Sleepers—2,820.	

(*d*) When our Greater Extensions are completed, *i e.*, within one year from date, we shall manufacture the following varieties of products :—

Rails.

30 lbs. to 90 lbs. flat bottom.

100 lbs. Bull-head.

Structural.

Beams.	Channels.	Angles.
Ins. Ins.	Ins. Ins	Ins. Ins.
24 by $7\frac{1}{2}$	15 by 4	8 by 8
20 „ $7\frac{1}{2}$		1 in. by $\frac{1}{8}$ in. to 3 in. by $\frac{1}{4}$ in.
15 „ 5		
15 „ 6		

Flats.	Rounds.	Squares.
Ins. Ins.		
12 by 14	3 ins., 4 ins., 5 ins., 6 ins.	3 ins., 4 ins., 5 ins., 6 ins.
$\frac{3}{4}$ „ $\frac{1}{8}$ to	and $\frac{1}{4}$ in. to 2 ins.	and $\frac{1}{4}$ in. to 2 ins.
$4\frac{1}{2}$ „ $\frac{1}{4}$ and thicker.		

Rods.

$\frac{1}{4}$ in.

Plates.—$\frac{1}{8}$ inch to $1\frac{1}{4}$ inches thick. Various widths to 84 inches and various lengths up to 50 feet, length and width depending upon the thickness.

Sheets.—Width up to 38 inches and any gauge from No. 10 ($\frac{1}{8}$ inch) to No. 32 ($\frac{1}{100}$ inch).

Statement III.—Replies to questionnaire No. II (c) (wagons).

1. Total number of wagons used for public traffic . . .	39,637
Main types—	
Covered—older types varieties of "W"	20,458
Covered—I. R. C. A. type "A-1"	1,715
Open—Older types varieties of "M"	5,583
Open—older types varieties of "N"	1,825
Open—I. R. C. A. types "C-4"	250
Open—American, type "M. A."	2,231

2. The following wagons I. R. C. A. type "A-1" covered and "C-1" open, have been included in the Quinquennial Forecast as future annual requirements:—

	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.
Additional—					
Covered wagons	1,200	1,250	1,300	1,300	1,350
Renewals—					
Covered wagons	450	450	450	450	450
Open wagons	275	275	275	150	150

3. We do not build wagons; we erect from imported sections.

4. In 1913, 750 wagons were purchased from a local firm, and the contract rate was Rs. 2,750 per wagon excluding wheels and axles. These wagons were constructed chiefly from imported finished materials.

5. The following main types of wagons were recently erected in our works from imported finished material, and the costs (not including cost of wheels and axles) are given against the two main heads of expenditure. English Expenditure has been converted at 1*s.* 4*d.* to the rupee.

(1) 250 open wagons 'C4' type I. R. C. A. (1920-21).

		Rs.
English material including freight, landing charges and duty		9,161
Indian expenditure	Paint and oil	20
	Labour including shop on cost	76
Total cost per wagon		9,257

(2) 1,100 Covered wagons 'A-1' type I. R. C. A. (1921-22).

		Rs.
English material including freight, landing charges and duty		7,974
Indian expenditure	Paint and oil	27
	Labour including shop on cost	142
Total cost per wagon		8,143

(3) 500 Covered wagons 'A1' type I. R. C. A. (1922-23.)
The approximate actual cost is given:—

		Rs.
English material including freight, landing charges and duty		4,756
Indian expenditure	Brake block	5
	Paint and oil	16
	Labour including shop on cost	150
Total cost per wagon		4,927

A Contract has recently been entered into with a local firm to erect part of the wagons now being sent out from England.

	Rs.
The approximate cost of the English material as per Contracts let, including freight, landing charges and duty is	3,775
Indian Expenditure—	
Brake blocks, paint and oil supplied by East Indian Railway	21
Labour	250
Total approximate cost per wagon	**4,046**

There has been a large fall in the cost of imported steel materials since 1922, presumably due to a return to normal conditions.

6. Weights of the following per wagon (I. R. C. A.):—

	'A-1' type.				'C-4' type.			
	T.	C.	Q.	lbs.	T.	C.	Q.	lbs.
(*a*) Total wagon (excluding wheels and axles)	7	6	2	0	7	13	1	0
(*b*) 'B' class steel used in manufacture	1	16	2	12	1	16	2	12
(*c*) 'D' class steel used in manufacture	0	5	0	3	0	5	0	3
(*d*) Steel castings	0	4	0	0	0	4	0	0
(*e*) Spring steel	0	12	3	4	0	12	3	4
(*f*) Steel plates and sheets	1	12	2	0	1	18	1	12
(*g*) Structural steel (angles, channels, &c.)	2	3	0	20	2	4	0	8
(*h*) Wrought iron	0	10	3	0	0	10	3	0
(*i*) Iron castings	0	0	4	17	0	0	4	17
Brass castings	0	0	2	0	0	0	2	0

7. We are conforming to I. R. C. A. standard specification as all Railways are required to standardize their Rolling Stock. This specification for "laminated springs" specifies British standard specification No. 6, "for helical and volute springs No. 7." Acid steel is specified but basic may be substituted with the consent of the Inspecting Officer.

I am unable to reply regarding wheels and axles. The matter rests with the Consulting Engineers, London.

8 and 9. I am of opinion that the most economical way of dealing with the supply of stock is for Railways to develop their own works so as to increase their capacity for repairs and for erection of wagons from imported finished materials, but so long as the price of imported wagons remains approximately near the present figure it is doubtful whether it would be economical for Railways to undertake the work of wagon building.

10 and 11. In paragraph 10 of the Questionnaire it is stated that the Wagon Companies in India are asking for assistance to an extent which would bring the price paid to them for an A-1 type B. G. wagon to about Rs. 4,600 while the price of steel in India is as at present.

It is assumed that the price of Rs. 4,600 is exclusive of the cost of wheels and axles—*vide* Note 1 at top of the Questionnaire.

According to the latest estimate prepared by our Carriage and Wagon Superintendent, the cost of a wagon of A-1 type—I. R. C. A., Broad gauge, exclusive of the cost of wheels and axles, is Rs. 3,438 as detailed below:—

	Rs.
English material—	
Underframes, etc. (at 1*s.* 4*d.* a rupee)	3,108
Indian expenditure—	
Paint and oil	16
Labour including wear and tear of tools, etc.	150
Rs.	3,274
Contingencies at 5 per cent.	164
Total Rs.	3,438

The price demanded by the Wagon Companies is thus Rs. 1,162 more than what it costs us to erect wagons in our Workshops from imported materials.

It is stated that the Wagon Companies estimate that for each increase of 10 per cent. in the duty the cost of the finished wagons would go up by Rs. 220. Thus if the import duty is enhanced by another 23⅓ per cent. the price per wagon to be paid to the Wagon Companies will be Rs. 4,600 *plus* Rs. 513⅓=Rs. 5,113. With the additional import duty namely, Rs. 513 the cost per wagon erected in our Workshops will be Rs. 3,438 *plus* Rs. 513=Rs. 3,951.

The additional expenditure to the Railway if assistance were given to private firms by paying them Rs. 5,113 per wagon is worked out below, taking the average annual requirements of wagons in the next five years at 2,000 of which 1,300 are additions and 700 are replacements:—

	Capital.	Revenue.
	Rs.	Rs.
Private firms—		
1,300×Rs. 5,113	66,47,000	..
700 ,, 5,113	13,26,000	22,53,000
Rs.	79,73,000	22,53,000
Railway workshops—		
1,300×Rs. 3,951	51,36,000	..
700 ,, 3,951	10,25,000	17,41,000
Rs.	61,61,000	17,41,000
Additional expenditure	18,12,000	5,12,000
Interest at 5½ per cent. on additional Capital expenditure of Rs. 18,12,000	..	1,00,000
Total	18,12,000	6,12,000

In view of the wide gap between the local firms' quotations and our own costs I am not prepared to express any opinion as to the best means of establishing the wagon building industry in India.

I am of opinion that the large additional expenditure involved would hamper new construction, that it would certainly put back efforts to reduce rates and fares, and that in all probability it would result in Railways endeavouring to increase their rates. I may add that many traders hold the opinion that present rates are quite as high as, if not higher than, the traffic will bear.

APPENDIX B.

Summary of estimated additional annual expenditure which would be incurred by this Railway.

	Capital.	Revenue.	Total
	Rs.	Rs.	Rs.
(*a*) Increased duty on steel (*vide* page 475) .	21,33,000	8,86,000	30,19,000
(*b*) Building of wagons by local firms (*vide* page 484)	18,12,000	6,12,000	24,24,000
Total . . .	39,45,000	14,98,000	54,43,000

Statement IV.—Letter, dated 2nd January 1924, from the Agent, East Indian Railway Company, to the Tariff Board.

In compliance with the request made by the Tariff Board at the meeting held on the 7th December 1923, I am directed to enclose statements showing the actual cost (f.o.b.) per wagon, the name of the firm and the date of contract, in respect of the last two items in this Railway's reply to question 5 on pages 9 and 10 of the printed pamphlet forwarded with this office letter No. C-32644, dated 27th November 1923, and of the item in this Railway's replies to questions 10 and 11 on page 11 of that pamphlet.

Item (3) in the Answer to Question 5 on page 9 of the Pamphlet.

The approximate cost per wagon is shown as Rs. 4,927. The actual cost per wagon as now known is as follows:—

	(1*s*. 4*d*. a rupee.)
English material excluding wheels and axles :—	Rs.
Underframes and body fittings, Axle boxes and bearings, Bearing Springs } F. O. B. price . .	3,884
Vacuum Brake Fittings	..
Freight, insurance, landing, toll and duty	816
TOTAL .	4.700
Indian expenditure :—	
Brake Block	5
Paint and Oil	16
Labour including shop on cost	150
TOTAL COST PER WAGON .	4,871

Name of Firm :—

Metropolitan Carriage and Wagon and Finance Ld. . 350 wagons.

Camel Laird & Co. . . . . 150 „

Date of Contract.—1st June 1922.

(*ii*)

Last item in the Answer to Question No. 5 on page 10 of the Pamphlet.

The approximate cost per wagon is shown as Rs. 4,046. The latest known cost per wagon as per invoices from England is as follows:—

		(1*s*. 4*d*. per rupee.) Rs.
English material excluding wheels axles—		
Underframe and Body fittings Axle Boxes and Bearings Bearing springs Vacuum Brake fittings	f. o. b Price . .	2,856
Freight, Insurance, Landing, Toll and Duty		639
	TOTAL .	3,495
Indian Expenditure :—		
Brake Block, paint and oil supplied by East Indian Railway		21
Labour, etc.		250
	TOTAL COST PER WAGON .	3,766

Name of Firm.—Metropolitan Carriage and Wagon and Finance Ltd.
Date of Contract.—29th March 1923. 1,500 wagons.

(*iii*)

Replies of Questions 10 and 11 on page 11 of the Pamphlet.

The estimated cost per wagon is shown as Rs. 3,438. The latest known cost per wagon as per invoices from England is as follows:—

		(1*s*. 4*d*. per rupee.) Rs.
English material excluding wheels and axles—		
Underframe and Body fittings Axle Boxes and Bearings Bearing springs Vacuum Brake fittings	F. O. B. Price . .	2,856
Freight, Insurance, Landing, Toll and Duty		639
	TOTAL .	3,495
Indian Expenditure :—		
Brake Block		5
Paint and Oil		16
Labour including shop on cost, etc.		150
	TOTAL .	3,666
Contingencies @ Rs. 5 per cent. on Indian expenditure only (actual contract prices of English materials being known)		9
	TOTAL COST PER WAGON .	3,675

***Name of Firm.*—Metropolitan Carriage and Wagon and Finance Ltd.**
***Date of Contract.*—29th March 1923. 1.500 wagons.**

Statement V.—Letter, dated 15th January 1924, from the Agent, East Indian Railway Company, to the Tariff Board.

I am directed to return herewith your copy of the verbal evidence tendered before the Tariff Board by this railway on the 7th December 1923 and to enclose a statement showing in juxtaposition the version as recorded in the notes and as they should read. Questions and answers have been consecutively numbered to facilitate reference.

2. I am also directed to enclose the following statements promised at the time of giving evidence before the Board—

(1) Statement showing f.o.b. price per ton, and freight, landing charges per ton, of rails, fishplates, joists and bars, during 1913-14, 1921-22 and 1922-23.

(2) Statement showing "Raising cost of coal—Giridih Collieries" in 1912, 1913-14 and 1916-17 to 1922-23.

(3) Statement showing "Raising cost of coal—Bokaro Collieries" in 1916-17 to 1922-23.

(4) Statement showing "Coking costs—Giridih and Bokaro Collieries" and makers of coke ovens and battery.

(5) Statement showing details of sales of coke.

(6) Statement showing details of the sale of coal tar during 1922-23.

(7) Comparative statement of weights of I. R. C. A. A-1 type wagons as shown by the E. I. Railway and by Messrs. Burn and Co.

(8) Statements concerning the cost of steel ingots and rolled sections manufactured in the Jamalpur Workshops for June 1922 and 1923.

(9) Statement showing the price paid during 1913-14 for a W/G V type covered wagon which is understood to be fairly comparable to I. R. C. A. A-1 covered type.

(It is understood that the A-1 type has approximately 12 cwts. more material, exclusive of wheels and axles, used in its manufacture).

3. The Tariff Board required further information in regard to the reply given under the heading of item 1, page 4 of "Reply to Questionnaire" *viz*:—The quantities of mild steel manufactured in our works during the past two years. These were:—

	Tons.
Year ending March 1922	3,742
Year ending March 1923	5,858

4. Mr. Mather asked if these figures included "Tata" steel billets. It is found that these figures were extracted from the Locomotive Superintendent's Annual Report by the Controller of Stores and they refer to the output of mild steel ingots and not sections, consequently they do not include the quantity of "Tata" steel billets that were rolled into sections during the two periods stated.

5. I am desired to here mention that 2,151 tons and 1,182 tons of "Tata" billets were rolled into tie bars, cotters and gibs for the Engineering Department during 1921-22 and 1922-23 respectively.

(1) *Statement showing f. o. b. price per ton and freight, landing charges, etc., per ton of Rails, Fishplates, Joists and Bars during 1913-14, 1921-22 and 1922-23.*

—	1913-14.	1921-22.	1922-23.
Price f.o.b. per ton of—	Rs. A. P.	Rs. A. P.	Rs. A. P.
Rails	103 8 0	138 12 0	127 8 0
Fishplates	120 0 0	Not received.	188 4 0
Joists	93 12 0	Do.	120 0 0
Bars	135 0 0	188 4 0	125 4 0
Freight duty, landing and other charges per ton of—			
Rails	14 8 0	25 0 0	37 8 0
Fishplates	26 0 0	Not received.	45 0 0
Joists	20 0 0	Do.	37 12 0
Bars	18 12 0	46 4 0	39 0 0

(2) *Raising cost of coal—Giridih Collieries.*

Details.	1912.	1913-14.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.	1921-22.	1922-23.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Coal cutting, surface and underground labour.	6,45,382	7,17,250	7,99,388	8,12,224	9,17,774	11,31,165	12,43,471	15,97,854	14,81,125
Stores	1,36,506	1,70,559	2,30,020	2,13,408	3,17,569	2,94,903	3,31,205	4,23,390	4,34,904
Horses and Bullocks	10,185	12,810	12,180	8,658	8,328	12,282	10,202	12,428	10,319
Rent	55,630	55,630	55,630	55,630	55,630	55,630	55,630	55,630	55,630
Repairs to Works	48,551	45,188	62,375	76,335	87,187	1,19,160	1,30,358	1,70,585	1,50,618
Repairs to Machinery	12,128	7,886	13,422	11,925	10,045	15,599	16,095	17,822	24,679
Establishment*	1,50,951	1,46,604	1,76,470	1,76,744	1,87,379	2,04,860	2,50,110	2,75,176	2,80,108
Office charges	1,471	1,348	1,292	1,705	2,533	3,284	4,063	3,480	2,930
Sundries	18,664	18,585	27,003	38,279	27,011	34,168	42,616	43,204	43,343
Sinking Fund	1,03,725	1,09,276	1,19,498	1,10,000	1,22,526	1,26,088	1,16,313	1,05,064	94,471
Electrical Charges	43,262	60,714	77,576	87,047	96,436	1,23,005	1,24,620	1,39,460	1,59,621
Cess	..	..	..	..	..	1,05,248	98,191	1,88,607	2,23,000
Miscellaneous	19,296	223	3,970	14,256	600	..	600	1,127	1,128
TOTAL	12,45,751	13,46,073	15,78,824	16,06,211	18,33,018	22,25,392	24,23,474	30,33,827	29,61,876
Less—Miscellaneous Receipts	15,708	20,666	18,513	17,482	20,325	21,616	17,217	19,070	20,898
TOTAL	12,30,043	13,25,407	15,60,311	15,88,729	18,12,693	22,03,776	24,06,257	30,14,457	29,40,978
Less—Amount received from coke making account.	1,33,812	2,67,811	1,98,282	2,78,324	4,66,564	6,86,271	4,11,938	2,86,736	2,18,665
NET EXPENDITURE	10,96,231	10,57,596	13,62,029	13,10,405	13,46,129	15,17,505	19,94,319	27,27,721	27,22,313
NET OUTPUT	Tons. 632,628	Tons. 665,822	Tons. 727,132	Tons. 665,743	Tons. 746,514	Tons. 768,414	Tons. 707,024	Tons. 630,872	Tons. 561,081
COST PER TON	Rs. A. P. 1 11 8	Rs. A. P. 1 9 5	Rs. A. P. 1 14 0	Rs. A. P. 1 15 6	Rs. A. P. 1 12 10	Rs. A. P. 1 15 7	Rs. A. P. 2 13 1	Rs. A. P. 4 5 2	Rs. A. P. 4 13 7

* Includes salaries and allowances of Colliery Superintendent and his Assistants and Office Establishment.

(3) *Raising cost of Coal (E. I. Railway and B. N. Railway Joint Colliery—Bokaro).*

Details.	1912-13.	1913-14.	1916-17.	1917-18.	1918-19	1919-20.	1920-21.	1921-22.	1922-23.
			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Coal cutting, surface and underground labour.	.	..	1,91,776	3,79,137	4,51,913	6,41,819	7,64,098	7,75,024	8,76,909
Royalty	.	..	39,561	65,193	78,417	1,05,368	1,14,443	1,15,865	1,31,881
Stores	.	..	23,426	42,667	42,702	66,286	70,689	72,225	95,556
Establishment*	The Colliery was opened in 1916-17.		24,530	36,309	43,341	54,655	61,279	66,805	67,840
Repairs to plant, works and machinery	..	..	3,456	16,215	41,981	45,770	23,304	37,942	37,103
Sundries	..	..	1,613	2,888	2,620	2,936	3.587	2,784	3,018
Sinking Fund	..	..	10,692	18,169	22,014	28,647	30,552	31,099	35,432
Cess	..	..	..	..	..	25,087	26,876	65,804	106,074
TOTAL	..	..	2,95,054	5,60,578	6,82,988	9,70,568	10.94,828	11,67,548	13,53,813
Less—Miscellaneous receipts	..	..	658	1,127	1,741	559	2.249	1,541	2,199
TOTAL	..	..	2,94,396	5,59,451	6,81,247	9,70,009	10,92,579	11,66,007	13,51,614
			Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.
Net output	..	..	167,098	285,391	347,240	453,471	4.83.547	491,619	561,062
			Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Cost per ton	..	..	1 12 2	1 15 4	1 15 4	2 2 3	2 4 2	2 5 11	2 6 7

* Includes salaries and allowances of Colliery Manager, his Assistants and Office Establishment.

(4) *Coking Costs.*

Giridih.

Details.	1921-22.	1922-23.
	Rs.	Rs.
Coal	1,47,858	2,36,701
Wages	43,216	48,737
Repairs	538	73
Stores	8,996	6,760
Establishment	18,124	19,378
Electrical charges	9,699	10,206
Sundries	1,281	3,306
	2,29,712	3,25,161
Make	Tons 39,720 cwt. 1	Tons 41,953 cwt. 11
	Rs. A. P.	Rs. A. P.
Cost per ton	5 12 6	7 12 0

Bokaro.

Details.	1921-22	1922-23.
	Rs.	Rs.
Coal	14,146	15,329
Wages	7,089	6,268
	21,235	21,597
Make	Tons, 4,795 cwt. 11	Tons, 4,435 cwt. 18
	Rs. A. P.	Rs. A. P.
Cost per ton	4 6 10	4 13 11

Makers of Coke Ovens and Battery—Simon Carves

(5) Details of sales of Coke.

—	1921-22.		1922-23.	
	Quantity.	Amount.	Quantity.	Amount.
	Tons.	Rs.	Tons.	Rs.
Bengal Iron Co., Ltd. . .	17,958	3,35,349	19,670	2,95,127

(6) Statement showing details of the sales of Coal-Tar during the year 1922-23.

	Quantity.				Amount.		
	Tons.	cwt.	qr.	lb.	Rs.	A.	P.
Sales to the public :—							
Jagannath Marwari	14	9	3	20	1,658	4	0
Surajmall Badridas	976	19	2	0	1,09,600	3	0
Kanhaiya Lal Poddar . . .	121	4	3	12	12,954	12	0
TOTAL .	1,112	14	1	4	1,24,213	3	0

(7) Comparative Statement of weights of the following per wagon. I. R. C. A. "A-1" type.

Class of material.	E. I. Ry. figure.				Burn & Co.'s figure.							
	T.	C.	Q.	lb	T.	C.	Q.	lb.	T.	C.	Q.	lb.
(b) B class steel used in manufacture.	1	16	2	12	0	17	1	1	0	19	1	11
(c) D class steel used in manufacture.	0	5	0	3	0	5	0	18	0	0	0	4
(d) Steel castings . . .	0	4	0	0	0	7	0	4	0	3	0	4
(e) Spring Steel . . .	0	12	3	4	0	12	0	20	0	0	2	12
(f) Steel plates and sheets .	1	12	2	0	4	14	3	11	0	19	0	19
(g) Structural Steel (Angles, channels, etc.).	2	3	0	20								
(h) Wrought iron . . .	0	10	3	0	0	12	1	26	0	2	1	2
(i) Iron castings . . .	0	0	4	17		..				..		
Brass castings . .	0	0	2	0		..				..		
TOTAL .	7	6	2	0	7	8	3	24		..		

The difference in wrought iron is due to Burn and Company's figure including door frames, whereas our figures are for Pressed Steel Plate without frame.

The difference in Steel Castings is due to Burn and Company's figure including Cast Steel Buffer cases as against forgings in E. I. Railway figures.

The remaining difference of 3 Cwt. 2 Qrs. is due to Burn and Company's figures being for raw material as against our finished articles.

It will be noticed that Burn and Company's figures do not include Brass and Iron castings.

Where the E. I. Railway have placed certain M. S. fittings under class (*b*), Burn and Company include them in classes (*f*) and (*g*).

(8) *Detail cost of the production of one ton of basic open hearth steel ingots for June 1922.*

Particulars.	Weight.	Rate per ton.	Amount.	Freight on metal.	Total expenditure per ton.	REMARKS.
	T. C. Q. lb. oz.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	
Pig Iron—						
Tata Basic	0 10 1 7 0	120 12 2	60 9 10	1 14 5	62 8 3	
English Hematite	0 0 0 7 0	176 4 0	0 9 6	0 0 1	0 9 7	
Scrap steel—						
Class 10	0 4 0 20 4	35 0 0	7 5 3	0 8 1	7 13 4	
Class 7	0 7 0 10 8	15 0 0	5 5 0	0 4 6	5 9 6	
Class 4	0 0 0 18 8	25 0 0	0 3 4	0 0 2	0 3 6	
Ferro-Manganese, etc. . . .	0 0 0 12 9	..	2 0 6	..	2 0 6	
Aluminium	0 0 0 0 3	..	0 4 4	..	0 4 4	
COST OF METALS .	1 1 3 20 8	..	76 5 9	2 11 3	79 1 0	
Small Stores and Transfers.						
*Ingot moulds	....	..	7 7 3	..	7 7 3	* The average cost per ton for 12 months is Rs. 4-3-9.
Limestone	...	..	0 7 3	..	0 7 3	
Gas Producers—	Rs. A. P.					
Stores	0 3 0	..	5 15 4	..	5 15 4	
Coal	5 12 4					
Electric Power	....	..	0 15 0	..	0 15 0	

Particulars.	Weight.	Rate per ton.	Amount.	Freight on metal.	Total expenditure per ton.	Remarks.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	
†Furnace Repair— Labour	1 6 0	..	14 13 4	..	14 13 4	† The average cost per ton for 12 months for Labour is Re. 1-0-9 and Stores Rs. 5-7-3= Total Rs. 6-8-0.
Stores	13 7 4					
Miscellaneous	....	..	3 6 0	..	3 6 0	
Stationary Engine Expenses	....	..	3 12 5	..	3 12 5	
Labour	....	..	10 2 4	..	10 2 4	
		Total Cost .	123 4 8	2 11 3	125 15 11	

Detail cost of the production of one ton of rolled steel miscellaneous sections for June 1922.

Particulars.	Weight.	Rate per ton.	Amount.	Freight on metal.	Total expenditure per ton.	Remarks.
	T. C. Q. lb. oz.					
Steel Ingot	1 3 1 5 0	..	136 0 8	..	136 0 8	
‡Miscellaneous Stores, etc.	....	..	22 1 2	..	22 1 2	‡ The average cost per ton for 12 months is Rs. 14-3-10.
Fuel with freight	....	..	4 6 0	..	4 6 0	
Stationary Engine Expenses	....	..	1 2 4	..	1 2 4	
Employés' Labour	....	..	2 11 4	..	2 11 4	
Piecework Labour	....	..	9 7 8	..	9 7 8	
		Total Cost .	175 13 2	..	175 13 2	

Detail cost of the production of one ton of basic open hearth steel ingots for June 1923.

Pig Iron—						
Tata Basic	0 12 2 5 4	75 14 0	49 3 5	2 5 0	51 8 5	
English Hematite	0 0 0 9 4	260 0 0	1 1 10	0 0 1	1 1 11	
Scrap Steel—						
Class 7	0 10 3 9 0	15 0 0	8 2 1	0 2 11	8 5 0	
Class 23	0 1 2 18 8	20 0 0	1 10 8	0 3 3	1 13 11	
Ferro-Manganese, etc.	0 0 0 22 4	..	6 3 10	..	6 3 10	
Aluminium	0 0 0 0 4	..	0 2 2	..	0 2 2	
Cost of metals	1 5 1 8 8	..	66 8 0	2 11 3	69 3 3	
Miscellaneous Stores and Transfers.						
***Ingot moulds**	....	..	8 1 11	..	8 1 11	* The average cost per ton for 12 months is Rs. 4-3-9.
Limestone	....	..	0 3 9	..	0 3 9	
Iron Ore	....	..	0 1 3	..	0 1 3	
Dolomite	....	..	0 3 4	..	0 3 4	
Gas Producers—	Rs. A. P.					
Stores	0 5 7	..	7 4 6	..	7 4 6	
Coal	6 14 11					

Particulars.	Weight.	Rate per ton.	Amount.	Freight on metal.	Total expenditure per ton.	Remarks.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	
†Furnace Repair—						
Labour	0 8 9	..	7 9 2	.	7 9 2	† The average cost per ton for 12 months for Labour is Re. 1-0-9 and Stores Rs. 5-7-3 =Total Rs. 6-8-0.
Stores	7 0 5					
Electric Power	....	..	0 8 5	..	0 8 5	
Small Stores	....	..	3 15 3	..	3 15 3	
Stationary Engine Expenses . .	....	..	3 9 4	..	3 9 4	
Labour	....	..	11 12 2	..	11 12 2	
		Total Cost .	109 13 1	2 11 3	112 8 4	

Detail cost of the production of one ton of rolled steel miscellaneous sections for June 1923.

Particulars.	Weight.	Rate per ton.	Amount.	Freight on metal.	Total expenditure per ton.	Remarks.
	T. C. Q. lb. oz.					
Steel Ingot	1 5 1 21 0	..	137 7 9	..	137 7 9	
‡Miscellaneous Stores and Transfers	....	..	17 1 4	..	17 1 4	‡ The average cost per ton for 12 months is Rs. 14-3-10
Fuel with freight . . .	....	..	5 0 0	..	5 0 0	
Stationary Engine Expenses . .	....	..	0 10 0	..	0 10 0	
Employés' Labour . . .	....	..	1 2 4	..	1 2 4	
Piecework Labour . . .	....	..	10 3 4	..	10 3 4	
		Total Cost .	171 8 9	..	171 8 9	

(9) *Cost of a " WGV " type covered wagon during 1913-14.*

		Per wagon. (1s. 4d. a rupee.) Rs	
English materials excluding wheels and axles.			
Underframes and body fittings / Axle boxes and bearings / Bearing springs / Vacuum brake fittings	£176 16s. f.o.b. price=	2,652	Board's letters 42 and 152 of 1913
Freight, insurance, landing toll and duty		206	
Indian Expenditure			
Labour, etc.		80	
	TOTAL COST PER WAGON	2,938	

Oral evidence of Mr. G. L. COLVIN, Agent, Mr. SEVERS, Chief Auditor, Mr. MOULD, Works Manager, Lillooah Workshops, and Mr. GROVE WHITE, Works Manager, Jamalpur Workshops, all representing the East Indian Railway, recorded at Calcutta on 7th December 1923.

President.—I should like to begin by thanking you for the full and complete way in which the questions we put have been answered. They give exactly the information we wanted, and it will be of great assistance in dealing with the whole question so far as railways are concerned. Perhaps it would be most convenient to begin with the replies which are printed, that is, the reply to the general questionnaire beginning on page 4. In answer to Question 2 you have taken the price of rails at Rs. 150 and of rolled sections at Rs. 180. Can you tell us on what basis you took these prices? Are they about the prices you are paying now?

Mr. Colvin.—They are about up-to-date prices: but they might have come down a bit.

President.—May I take it as the price of 1922-23 approximately?

Mr. Colvin.—Yes. That is correct.

President.—I do not know whether it would be possible for the Railway to give us without great trouble the earlier prices that they have had to pay for rails and rolled sections, including some pre-war prices?

Mr. Colvin.—In the case of rails it is possible, but in the case of rolled sections it would be more difficult.

President.—If you could give the figures year by year from 1912, in the case of rails and fishplates, it would be useful. I am thinking of purchases in large quantities, *i.e.*, your big order for the year. In the case of rolled sections would it be possible to give, for joists and bars, the c.i.f. prices from 1913-14 to 1922-23?

Mr. Mather.—We have usually asked in the other cases f.o.b. prices and freight and landing charges separately.

President.—Would it be possible for the f.o.b. prices to be separated from the freight and landing charges, which would be useful to us?

Mr. Colvin.—Yes. But you do not want the war years 1914 to 1919?

President.—If you could take the two pre-war years 1913 and 1914 and then the years in 1921-22 and 1922-23, that would do. I notice from your answer that the Company make at their works in Jamalpur a certain amount of rolled steel. Can you tell us how long it is since the Company has been making rolled steel there?

Mr. Grove White.—The Company first started the manufacture of steel in an acid furnace in 1898. Then in March 1913 they started the manufacture of steel by the basic process.

President.—Is it an open hearth furnace?

Mr. Grove White.—Yes. We had an open hearth furnace in 1898 worked on the acid process. We are now entirely working on the basic process.

Mr. Mather.—Have you converted the acid furnace into a basic furnace?

Mr. Grove White.—We converted the acid furnace into basic and we now have two 15-ton open hearth basic furnaces and no acid furnace.

President.—What do you use for your raw material for making steel?

Mr. Grove White.—Indian pig iron which is practically obtained exclusively from Tatas.

President.—You use a certain amount of steel scrap as well?

Mr. Grove White.—Yes. We use a certain proportion—7 of pig to 8 of scrap which gives us a 15 ton charge—our ordinary mild steel charge.

President.—This amount that you have given in answer to Question 1 for the year ending March 1923, 5,858 tons, is that the maximum quantity you can produce with the present furnaces?

Mr. Grove White.—We might possibly get a greater output than that, possibly up to 7 or 8 thousand tons.

President.—Would it be possible to let the Board have figures showing the cost of production of your rolled steel? One of our difficulties in the whole of our enquiries has been that there is nothing in India to compare with the costs of the Tata Iron and Steel Company. Of course, you are operating on a small scale and there may be allowances to be made for that; but if we can get anything which we could compare with the Jamshedpur costs it would be useful.

Mr. Grove White.—Our system of accountancy does not lend itself to the comparison of our costs with those of commercial firms.

President.—But your works costs might be comparable to their works costs. I take it that in keeping the accounts of your steel works you do not make allowance for overhead charges, or for interest on the capital invested in the works?

Mr. Grove White.—We have got certain figures.

Mr. Colvin.—If you could show us the headings of Tatas—you need not give us their figures—if you will show what the items are, we can fill up those headings with our figures.

Mr. Mather.—I do not know if you have seen the published statement of Tatas. It is very much the kind of thing that we require.

President.—Yes. This is the form in which they put it up originally at page 2 of the Statements and Notes.

Mr. Grove White.—There is this difference that at Jamalpur steel castings, as well as ordinary ingots, are manufactured in the same shop. The cost is under one heading, sub-divided to a certain extent, but it is difficult to sub-divide the cost of any particular item. Take, for instance, gas producers. The producers supply gas to the open hearth furnace, and they also supply it to the annealing stoves in connection with steel castings.

Mr. Ginwala.—Do you not keep separate account as to how much is used in each department?

Mr. Grove White.—We divide all our costs in a certain ratio, say 3 to 5. We can give figures on that basis.

President.—You can give it in that ratio.

Mr. Mather.—But the figures show that the steel castings are only 5 per cent. of the total output. You can just make an estimate of that.

President.—You will see that the next statement in the Iron and Steel Company's evidence goes on to the blooming mill and the final one is the rail mill. We can give you a copy of this, but if you find that you cannot without a lot of trouble make it exactly in the same form, it does not matter so long as it is somewhere near it.

Mr. Grove White.—I think we can give figures useful to the Board. We would give figures for the rolling mills if desired.

Mr. Mather.—If you give us details for the rolling mills, so much the better.

Mr. Ginwala.—This is the form in which they have got their overhead charges in Tatas, and if you can give it in this form it will be very useful.

Mr. Grove White.—I think we shall have no difficulty in giving figures in this form.

Mr. Grove White.—For what period do you want them?

President.—I understand you only started the basic process in 1913.

Mr. Ginwala.—Can you give it for a pre-war year?

Mr. Mather.—The first year of starting a new process is hardly a fair year to take for comparison, and I think the last two official years will be enough.

Mr. Grove White.—Our returns are made every month.

Mr. Ginwala.—May I ask for those for June 1922 and June 1923?

President.—I have no objection to the figures being given for a single month provided it is a typical month. You might select some month when the furnace was working to its full capacity.* Have the Company made any attempt to ascertain whether it pays for them to make rolled steel for themselves rather than purchase it?

Mr. Grove White.—Yes. It pays them to make steel.

President.—Of course, in making a comparison, some allowance has to be made for things like overhead charges, interest on the capital invested in the steel works and so on.

Mr. Severs.—We have made no attempt to work out costs on that basis. We use our own scrap, and the price is much less than the market rate.

Mr. Ginwala.—At what rate do you charge your scrap?

Mr. Severs.—Rs. 15 to Rs. 25 a ton and the market rate is Rs. 50.

President.—No thorough attempt has yet been made to compare the cost of the steel made at Jamalpur and the price of the steel you buy?

Mr. Severs.—We make no allowance for these overhead charges. It is very difficult to work it out.

President.—Do you find it a distinct convenience to have your own steel works, so that any section that you may want in a hurry can be turned out?

Mr. Severs.—I should say it is.

President.—I take it that the sections which you roll are those that you happen to require at the moment?

Mr. Grove White.—Large stocks are not maintained; but, of course, we keep certain stocks. We make sections for the blacksmith's shop, the forge, the bolt and nut shop, etc., when required.

President.—I take it that the sections that are commonly required, you stock, and other sections, less commonly required, you make when they are wanted?

Mr. Grove White.—We do not stock every type of section. Of course, we cannot manufacture heavy sections. We only make small sections.

President.—Do you find that it means a great saving of time in getting the things you want?

Mr. Severs.—The programme is put well forward. The departments would send their requirements to the steel works in advance, and the latter would arrange to manufacture accordingly.

President.—I was wondering whether you found it of great convenience for emergent requirements.

Mr. Grove White.—It is of great advantage to the shops and other departments as well. For the Engineering and Carriage and Wagon Departments, it is of very great convenience.

President.—The reason why I asked whether any enquiry had been made to ascertain whether it paid you to make rolled steel was because it has been suggested in evidence that to manufacture steel economically the unit of production must be large. To get cheap production, you must have mass production. But, of course, if you have not worked out the calculation, there is really not much to be said.

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* *Vide* Statement V (8).

Mr. Severs.—The thing is we have not got our overhead charges separately for any particular work. The supervising establishment of the Railway has to deal with a very large number of works, and it is not practicable to say how much of it is attributable to the supervision over any particular work.

President.—I understand that. In effect the manufacture of steel at Jamshedpur does not involve any appreciable addition to the supervising establishment of the Railway. Going now to the increase in expenditure which you estimate would result from raising the duty from 10 to 33⅓ per cent., I think perhaps it would be easier at this stage to eliminate the wagons from the figures as they come in separately in the reply to the other letter. On that basis the annual increase in expenditure comes to Rs. 10·44 lakhs capital and Rs. 4·69 lakhs revenue, if the two items Rs. 10·89 lakhs and Rs. 3 lakhs noted against wagons are omitted. Interest at 5½ per cent. on Rs. 10·44 lakhs is Rs. 57,420, and the result would be that the burden falling on revenue would increase by Rs. 57,500 a year.

Mr. Severs.—Is that the interest you are calculating?

President.—Yes. 5½ per cent. on the addition to the capital expenditure. In order to get an idea as to what the burden would mean to the Railway, could you give us the figures of your annual revenue expenditure?

Mr. Severs.—I have got them for one year here which may be taken as normal now The total working expenditure for 1922-23 was Rs. 10·23 crores.

President.—What do you estimate as your annual capital expenditure for the next four or five years?

Mr. Severs.—

1924-25	Rs. 477 lakhs.
1925-26	Rs. 474 lakhs.
1926-27	Rs. 490 lakhs.
1927-28 . . .	Rs. 409 lakhs.
1928-29	Rs. 376 lakhs.

This is the quinquennial programme.

Mr. Colvin.—The Railway Board may modify that considerably by their new policy.

President.—We do not want any minute detail. I understand the annual capital outlay is likely to exceed Rs. 400 lakhs.

Mr. Ginwala.—Is that your allotment from the Rs. 150 crores?

Mr. Severs.—Yes.

President.—That enables us to get some idea as to the percentage of increase in the total expenditure which would result. You allude in your answer to Question 7 to a letter which the Boards of the Indian Railway Companies have addressed to the Secretary of State for India.

Mr. Colvin.—We have seen a copy of that letter, but it has not been formally put in evidence.

President.—Is it your wish to put it in on behalf of the East Indian Railway?

Mr. Colvin.—The letter expresses the views of the Company, and we have no objection to putting it in.

President.—It would not be of much use, I think, to question the representative of one Railway in great detail about a letter which is the result of the combined effort of a number of Railway Companies. I think your summary states the case very clearly indeed that the companies appreciate the importance on national grounds of retaining, if it be possible, the manufacture of steel in India. On the other hand, they feel that a high protective duty would mean a serious additional burden to the Railways in India, and that increased expenditure would tend to reflect itself in higher rates and fares than would otherwise be in force, a result which would be detrimental to the industries of the country. If assistance must be given

in order to keep the industry going, you think it ought to be given by means of a bounty or subsidy. The difficulty, of course, is, if protection is to be given by means of a bounty or subsidy, how the money is to be found.

Mr. Ginwala.—Your contract with the Government expires in 1925?

Mr. Colvin.—At the end of 1924.

Mr. Ginwala.—You have given the figures for your expenditure. What was your gross revenue in 1922-23?

Mr. Colvin.—Gross revenue—16,32 lakhs.

Mr. Ginwala.—What percentage of the revenue is your working expenditure?

Mr. Colvin.—Roughly 63 per cent., might be slightly less.

Mr. Ginwala.—That has gone down considerably compared to previous years?

Mr. Colvin.—It has gone down by about 2 per cent. since 1922-23. In pre-war years the percentage was about 40.

Mr. Ginwala.—What is the proportion of the surplus profits which the Company take?

Mr. Colvin.—It is in the neighbourhood of Rs. 7 lakhs. For the year ending March 1923 it was Rs. 7,13,000.

Mr. Ginwala.—That I take it is in proportion to the estimated capital of the Government and the subscribed capital?

Mr. Colvin.—The Company gets one-fifth of the first 29 lakhs of the surplus profits and 1 per cent. of the surplus profits.

Mr. Ginwala.—In working out your estimates have you taken into account the whole of the capital expenditure that you have given just now?

Mr. Colvin.—It is only on steel and not on wagons.

Mr. Ginwala.—Does it apply to the whole of your programme?

Mr. Colvin.—Yes, where steel is affected: bridge work and rolled sections.

Mr. Ginwala.—You take the total cost of the capital on the capital side, Rs. 21 lakhs, and you charge that to revenue expenditure. My point is this that, in addition to your capital charge for the year, you cannot claim that as the total charge for that year because it must be spread out, being a capital charge. On the ordinary sinking fund basis it would not come to 29 lakhs, would it?

Mr. Colvin.—Oh, yes.

Mr. Ginwala.—How?

Mr. Colvin.—That is one year's programme.

Mr. Ginwala.—For that year you would only have interest *plus* sinking fund charges.

Mr. Colvin.—Our renewals take the place of sinking fund.

Mr. Ginwala.—But you can hardly say that the additional capital which you spend is the total burden for that year. You say your capital would be increased by Rs. 21 lakhs. Under ordinary commercial methods of accounting you would have to borrow the additional Rs. 21 lakhs more in that year and that would be spread over the life of the works, 30 years or whatever it is, that is to say, in calculating your charge for revenue for that year you would only have interest charge *plus* sinking fund, that is to say, for the sum of Rs. 21 lakhs you would have to substitute say about 6¼ per cent., or say 7 per cent. if you like.

Mr. Colvin.—This total here represents the additional expenditure.

Mr. Ginwala.—You capitalize that on the capital side and calculate the annual burden by providing for a sinking fund and interest charges?

Mr. Colvin.—Yes.

Mr. Ginwala.—As I said, according to your method of accounting it is correct, but we have to look at it from the commercial point of view. You will agree that wherever your additional capital expenditure is shown the annual burden may be on the basis of a sinking fund and interest for the year?

Mr. Colvin.—Yes.

Mr. Ginwala.—At page 13 you have summarized your charges where you have shown Rs. 39,45,000 as the annual burden. At 7 per cent. it would come to about 2½ lakhs?

Mr. Colvin.—That is the effect of the increase.

Mr. Ginwala.—That is to say, every year it would increase by 2½ lakhs on the capital side. That would be the additional charge on the revenue?

Mr. Colvin.—Yes.

Mr. Ginwala.—Therefore we can calculate the additional burden per year: assuming that the duties remained the same and your programme remained the same, that would be a recurring annual burden of 2½ lakhs. Is it your contention that even if it increased by, say, Rs. 17 lakhs a year, it would necessitate some increase in your rates?

Mr. Colvin.—I would not say that. It is only one factor. It depends on the volume of traffic, it depends on ordinary wages. All I can is that it is one factor: whether it is a decisive factor I cannot say.

President.—If I am right I think Sir Henry Freeland giving evidence on behalf of the B. B. and C. I. Railway expressed his opinion that, on the average, rates and fares were already as high as they could be and, if they were raised any further, there would be a reduction in the volume of traffic. That is a point I wanted to ask your opinion about.

Mr. Colvin.—That is correct, I think.

President.—You don't think that on the average there can be any increase in Railway rates?

Mr. Colvin.—No.

Mr. Ginwala.—You know of the projected steel works by the United Steel Corporation of Asia, and the works of the Indian Iron and Steel Company at Asansol and the Bengal Iron Company at Kulti? Assuming that steel gets protection and these Indian Companies go in for the manufacture of steel, it would give considerable amount of traffic to the Railways, would it not?

Mr. Colvin.—Yes.

Mr. Ginwala.—That may be to a certain extent an off-set against the increase in Railway charges?

Mr. Colvin.—To some extent it would give a bigger volume of traffic.

Mr. Ginwala.—Have you entered into any special arrangement with these Iron and Steel Companies?

Mr. Colvin.—Yes, we give them a rebate.

Mr. Ginwala.—You give the same as the B. N. Railway give to the Tata Iron and Steel Company?

Mr. Colvin.—Yes, I believe it is the same.

Mr. Ginwala.—May I take it that, if anybody wanted to start similar works, you would be more or less bound to give them the same concession?

Mr. Colvin.—Yes, under the same conditions as regards the volume of traffic.

Mr. Ginwala.—The point is this. There are certain conditions under which an industry may claim protection: one of them may be merely a temporary reason by which it may not be able to compete with the foreign manufacturer—it may be due to abnormal conditions, depreciation in exchange in other countries and so on. Now, supposing that the local industry was not able to compete against its foreign rival owing to these abnormal conditions, would you still say that this industry should not get protection?

Mr. Colvin.—I should say that, if protection is to the national interest, if it is necessary, then it should be done by means of a bounty.

Mr. Ginwala.—But supposing bounty was not a feasible proposition?

Mr. Colvin.—I am not able to answer that.

Mr. Ginwala.—The point is that these things might suffice—I mean import duty, landing charges and so on that you have mentioned—under normal conditions, but conditions might be so abnormal sometimes that they might not suffice, in that case?

Mr. Colvin.—In that case a bounty.

Mr. Ginwala.—I take it that in your mills you roll chiefly small sections?

Mr. Colvin.—Yes.

Mr. Ginwala.—Do you buy any of your bigger sections from the Tata Iron and Steel Company?

Mr. Colvin.—Tenders are out and Tatas have an opportunity of tendering.

Mr. Ginwala.—Did you buy any rails from Tatas?

Mr. Colvin.—I believe not but we put out simultaneous tenders, but I think Tatas were very busy and they could not supply us at one time.

Mr. Mather.—You may have got a few before the war?

Mr. Colvin.—I cannot say definitely.

Mr. Mather.—They have not supplied you for a long time now?

Mr. Colvin.—I don't think so.

Mr. Kale.—What is exactly the reason why you manufacture your own steel to a certain extent?

Mr. Colvin.—It is more convenient and in fact we can get it cheaper.

Mr. Kale.—Do you think it is more economical?

Mr. Colvin.—Owing to the enormous quantities of scrap we have got of our own it is economical.

Mr. Kale.—Have you taken into account the fact that the price of steel may not rise in the same proportion as the rise in duties?

Mr. Colvin.—If you look to our query No. 2 on page 4 "assuming that customs duty was payable on all imported materials and that the price was increased to the full extent of the additional duty" you will find that we have done precisely what you have asked us to do.

Mr. Kale.—Quite so, but I want to know whether it is possible that the price may not rise to that extent and in that case your additional expenditure would not rise to the same extent.

Mr. Colvin.—I cannot forecast what would happen.

Mr. Ginwala.—Tatas have given Rs. 150 as the price; it may drop down to Rs. 100 which would mean Rs. 133 with a 33⅓ per cent. duty.

Mr. Colvin.—That I cannot dispute.

Mr. Kale.—Do you think the Railways would derive any particular benefit in having a successful steel industry in India apart from other considerations?

Mr. Colvin.—We would get bigger traffic in raw materials.

Mr. Kale.—Having steel works in the vicinity, for instance, may be of convenience?

Mr. Colvin.—Our programme is worked out so far ahead that it does not really assist us very much.

Mr. Mather.—In giving us particulars of your annual requirements of rolled sections to be purchased do you include billets? You have been purchasing large quantities of billets for some time.

Mr. Colvin.—That would include all purchases.

Mr. Mather.—I think you have arranged with the Tata Company to buy 3,000 tons of billets or flat bars per year. That would seem to take up the whole of this statement, and leave you with no purchase of steel sections?

Mr. Colvin.—The quantity might vary.

Mr. Mather.—The figures seemed to me to be rather a low one, if it is to include the whole of the rolled sections, and also if you anticipate continuing to buy billets and bars as you have been doing recently.

Mr. Colvin.—Were billets included in Tata's statement?

President.—The questionnaire was prepared with reference to the statement that we received from Tatas as to what they were going to manufacture and sell.

Mr. Colvin.—Anything that is not in the statement is not included.

Mr. Mather.—What I want to be clear about is whether this figure of 2,500 and 3,000 tons included all the kinds of steel that you may be likely to buy?

Mr. Colvin.—Possibly it would not include billets.

Mr. Mather.—If you found on further consideration any important items of steel which have not been included perhaps you would let us know. Then, lower down on the page you give us your output of mild steel for the last two years. Is this the tonnage of ingots, or rolled sections or bars?

Mr. Grove White.—This will be the tonnage of ingots.

Mr. Mather.—Can you tell us what is the biggest section you can roll?

Mr. Colvin.—We have a 10″ mill, a 14″ mill and an 18″ mill. The 18″ mill is used for roughing down materials used in the smithy and forge, that is, we can possibly get on to section 3½ or 4″ for smithy purposes, and what can be done in the 10″ and 14″ mills are only small sections.

Mr. Mather.—I suppose you always confine yourself to ordinary mild steel You do not make special steel?

Mr. Colvin.—No. Of course, we may make high carbon steel.

Mr. Mather.—You mention in your reply on page 6 to Question 6 "The establishment of the steel industry in India is, I consider, desirable provided only that it can compete with the imported article without further assistance such as is already provided by the present import duty, sea freight, landing charges lower rail rates and the railway rebate on raw materials to certain existing iron and steel works." We were given certain figures by a firm of importers of iron and steel in Calcutta of the railway freights charged on imported steel from Calcutta to up-country stations, most of which would go over your line at any rate for a considerable part of the distance, and the railway freights charged on Indian steel. Can you tell us what the basis was for the big differentiation? We were told, for example, that the railway freight for imported steel from Calcutta to Ambala was more than double that on Tata's steel from Tatanagar.

Mr. Colvin.—Our rate from Howrah to Delhi is Re. 1-12-4 at the moment. From Kulti, that is where the Bengal Iron Company is situated, the rate is 9 annas. If the same rate was applied on the same basis, the rate from Howrah to Delhi would be 10 annas 6 pies, that is to say, we give a considerable preference to these local manufacturers.

Mr. Mather.—That would apply to any Company making iron and steel in India?

Mr. Colvin.—Yes.

Mr. Mather.—The statement that was given to us was that from Tatanagar to Delhi the freight was 14 annas. You have the greater part of the haulage?

Mr. Colvin.—The B. N. Railway pay a rebate to the Tata Iron and Steel Company, and that comes into this rate. They get the same rate on the same basis that these people get from Kulti.

President.—This specially low rate is given on wagon loads?

Mr. Colvin.—I should imagine so.

Mr. Mather.—Is this under a terminable agreement of any kind, this low rate?

Mr. Colvin.—We can alter any rate.

Mr. Mather.—The B. N. Railway have a definite terminable agreement.

Mr. Colvin.—That is for the rebate not for the special rates.

Mr. Mather.—What was the reason for making this big difference? Was it based purely on commercial considerations that in the long run it would pay your railways just as well to carry the Bengal Iron Company's material from Kulti at 9 annas, as it would to carry the imported material from Calcutta at Re. 1-12-4?

Mr. Colvin.—I think so.

Mr. Mather.—If that is so, it seems as though you would expect some very substantial advantages in other ways from the existence of these works on your line.

Mr. Colvin.—We get traffic in raw materials.

Mr. Mather.—You get enough traffic to justify your charging practically half rates to them for their finished products?

Mr. Colvin.—Presumably it was considered on those grounds.

Mr. Mather.—If on purely commercial grounds you are justified in doing this, then it would indicate if the duty on steel were increased, or if the steel industry were helped by Government in any way, although it might possibly mean an immediate addition to your charges, the countervailing advantages might be very considerable.

Mr. Colvin.—It is difficult to say. If the works are started on our line, it would give us more traffic. If they are started on some other line, it would not help us.

Mr. Mather.—If the extra traffic appears to you very favourable, you might reduce rates on their finished goods?

Mr. Colvin.—Yes.

Mr. Ginwala.—Have you got your own collieries?

Mr. Colvin.—Yes. Our collieries are at Giridih. We have also got joint coalfields with the B. N. Railway at Bokharo.

Mr. Ginwala.—How long have you been working them?

Mr. Colvin.—For the last 40 or 50 years I think. I cannot give you exact figures at the moment.

Mr. Ginwala.—And the other one at Bokharo?

Mr. Colvin.—It was only recently opened about three or four years ago.

Mr. Ginwala.—How much coal do you get?

Mr. Colvin.—I cannot give you the figure straight away. It is a big figure.

Mr. Ginwala.—Do you work them departmentally or how?

Mr. Colvin.—Only departmentally.

Mr. Ginwala.—May I take it that it is roughly about a million tons a year?

Mr. Colvin.—I should like to verify that figure.

Mr. Ginwala.—If it is in the neighbourhood of a million tons, it would be sufficient for our purpose.

Mr. Mather.—Do your supplies meet the whole of your requirements?

Mr. Colvin.—Not quite. We have to buy a certain amount of market coal. We hope that when Bokharo is fully opened up—it is a new field—our requirements will be fully met. It is now probably under a million tons.

Mr. Ginwala.—Would you mind giving us your raising costs for 1912-13, 1913-14 and from 1916-17 onwards up-to-date.

Mr. Colvin.—We could send you them. There are two fields and the costs are entirely different.

Mr. Ginwala.—Could you give them separately?

Mr. Colvin.—Yes.

Mr. Ginwala.—And give the total output of each in a year?

Mr. Colvin.—Yes.

Mr. Ginwala.—Do these raising costs include all costs incurred at the collieries?

Mr. Colvin.—Yes.

Mr. Ginwala.—Would they include depreciation?

Mr. Colvin.—They include the sinking fund charge of an anna per ton.

President.—If you have anything in the nature of overhead charges, it would be better if you could give us them.

Mr. Colvin.—Yes.*

President.—The sinking fund is entirely for depreciation on the coal but not on machinery and so on?

Mr. Colvin.—Quite so.

Mr. Ginwala.—Do you make your own coke?

Mr. Colvin.—Yes.

Mr. Ginwala.—Do you make it at the collieries?

Mr. Colvin.—Yes.

Mr. Ginwala.—What sort of plants have you got? Are they modern plants?

Mr. Colvin.—Yes. In fact we are putting a new range now.

Mr. Ginwala.—How many batteries have you got?

Mr. Colvin.—I think that we have got about 60, and we are putting in another 30.

Mr. Ginwala.—Are they bye-product recovery ovens?

Mr. Colvin.—Yes.

Mr. Ginwala.—Would you mind giving us your costs of converting coal into coke?

Mr. Colvin.—The figures can be furnished.†

Mr. Ginwala.—What do you charge for your coal?

Mr. Colvin.—Raising cost.

Mr. Ginwala.—In the case of coke ovens would you mind giving us figures for the last two years?

Mr. Colvin.—The figures can be furnished.‡

Mr. Ginwala.—Do you find a ready market for your bye-products?

Mr. Colvin.—We have given a contract to Messrs. Waldie & Co.

Mr. Ginwala.—Do you sell your coal tar?

Mr. Colvin.—Messrs. Waldie & Co. buy it from us.

Mr. Ginwala.—Do you make any sulphate of ammonia yourself, or do you leave it to Messrs. Waldie & Co. under a contract?

Mr. Colvin.—We don't do it ourselves. We will give you the details afterwards.

Mr. Ginwala.—I am specially interested to know what happens to the coal tar.

Mr. Colvin.—We sell it.

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* *Vide* Statement V (2) and (3).
† *Vide* Statement V (4).
‡ Not supplied.

Mr. Ginwala.—In that case you call for tenders for coal tar and it would be useful if you could give us details of the sale of coal tar.

Mr. Colvin.—Yes.*

President.—What we really want to know is what it is used for and who are the people that buy it. The names of the purchasers might give the clue.

Mr. Ginwala.—We don't want every detail, but just give us broad outlines to enable us to compare yours with other coke ovens.

Mr. Colvin.—Yes.

President.—Are there any wagons that you were purchasing before the war which are fairly comparable to the A-1 covered type? I don't think the A-1 wagon was made before the war.

Mr. Colvin.—We could send you full particulars.†

President.—It would be useful to us to have the prices you paid for imported wagons for two years before the war, but the wagon selected must be to some extent comparable with the A-1 covered type, which is the one for which we have detailed figures.

Mr. Colvin.—We could give you a comparison showing quite clearly what the differences are. There is some difference in length but we could give you a statement making that quite clear. We had a wagon very similar to the A-1 type. We can give you a figure which you can compare quite satisfactorily.

President.—The reason why I am asking for these figures is this. It has been explained by the local wagon builders that the tenders which secured the contract with the Railway Board last year were practically down to pre-war level. That was put to us very strongly by the Standard Wagon Company and they claimed that there was some reason to believe that the prices accepted last year were a good deal below what the British manufacturer would be content with for a long period. It might be possible for two or even three years to buy wagons at that price, but sooner or later the price was bound to go up again.

Mr. Colvin.—I believe that they have been suggesting that, but I think that methods of production have improved very considerably.

President.—We want very much to get your opinion.

Mr. Colvin.—I think that it is about 42 to 45 per cent. above pre-war level. I can give you actual figures.

President.—Their claim is that in 1913 the price quoted was £179, and in 1923 it was £174, so that on that basis the post-war price is actually below the pre-war price. But if, as a matter of fact, the figures that you have got in your railway show that that is not so, it is very important for us to know that.

Mr. Colvin.—I will give you the exact figures.

President.—In your answer to Question 5, you give the total approximate cost of a wagon as Rs. 4,046; and you say that a contract has recently been entered into with a local firm to erect part of the wagons now being sent out from England. To what year does that belong?

Mr. Colvin.—I will send you that.‡

President.—In your answers to Questions 10 and 11 it is stated that, according to the latest estimate prepared by your Carriage and Wagon Superintendent, the price of underframes, etc., is about Rs. 3,108 which I think is identical with the price quoted in connection with the Railway Board tenders called for in October 1922.

Mr. Colvin.—The actual contract is about Rs. 100 more.

President.—Is this a contract made by the Railway Company at Home?

**Vide* Statement V (6).
†*Vide* Statement V (9).
‡*Vide* Statement IV (i) to (iii).

Mr. Colvin.—Yes.

President.—Can you tell us when the contract was made?

Mr. Colvin.—We can give you that information.*

President.—Do you get your wagons through the Railway Board or are you entirely separate?

Mr. Colvin.—We have the right of saying whether we will accept or not and these particular wagons were placed by our own people at Home.

President.—Could you give us the revised figures for the latest contract and also tell us the date of the contract and the number of wagons it was for?

Mr. Colvin.—Yes.*

Mr. Mather.—It might be useful to know with which firm the contract was placed.

Mr. Colvin.—Yes.*

President.—Taking this figure of Rs. 3,438 given in answer to Questions 10 and 11, or even hundred rupees higher as a result of the last contract, do the East Indian Railway consider that they will be able, for the next five or six years, to purchase wagons at about that figure or is there any reason to believe that that price is somewhat below the price likely to be paid two or three years hence?

Mr. Colvin.—We are not sufficiently acquainted with the conditions in England, but there is no reason to suppose that the price would go up.

President.—If the prices were very close to the pre-war price, there might be reason to think that it might go up, because, with the exception of rubber, there is hardly anything in the world that has gone down to the pre-war price. Have you any information as to the improvements in the method of manufacture by British wagon building companies which would account for a great reduction in cost?

Mr. Colvin.—I have no detailed information which I can give you myself, but it has progressed all the time. I think that they have introduced all sorts of methods of quick production. Standardisation would help them considerably.

President.—However, you are not in a position to express any definite opinion whether the latest prices can be regarded as typical post-war prices?

Mr. Colvin.—The railway offices out here are not in a position to say.

President.—In the summary on page 13 of estimated additional annual expenditure which would be incurred by your Railway, the figures comes out a little too high owing to the inclusion of wagons. In your reply to our second letter, you have given the additional duty on steel for wagons as Rs. 10·89 lakhs capital and Rs. 3 lakhs revenue. The Standard Wagon Company and other wagon manufacturers in this country do not claim that the additional duty on steel would amount to more than Rs. 513 per wagon, and on that basis your requirements would be 2,000 wagons a year.

Mr. Colvin.—Our own estimate is based on the difference between two costs.

President.—We have gone into details and worked out on each item of steel which would go to make up a wagon.' It comes out a bit lower than your figure, but there is no substantial difference.

Mr. Colvin.—You may take this as a round sum.

President.—Your answer to Questions 8 and 9 is "I am of opinion that the most economical way of dealing with the supply of stock is for Railways to develop their own works so as to increase their capacity for repairs, and for erection of wagons from imported finished materials, but so long as the price of imported wagons remains approximately near the present figure, it is doubtful whether it would be economical for Railways to undertake the work of wagon building." It was this answer particularly that made me think that you possibly did regard the latest price of a wagon as a bit on the low side.

**Vide* Statement IV (i) to (iii).

Mr. Colvin.—Several factors come in there. We are not very well off in the matter of labour now.

President.—That is to say, in everything connected with iron and steel there may be a limit to the rapidity of development in India by the scarcity of skilled labour in India?

Mr. Colvin.—Yes.

President.—Your annual requirements in the matter of wagons are, I think, higher than those of any other Railway Company from whom we have heard.

Mr. Colvin.—Probably we have the biggest traffic.

President.—Do you think that 2,000 wagons which you require annually would be an economical unit for the production of wagons, that is to say, would that number be a reasonable scale of operations for a wagon building firm?

Mr. Colvin.—I don't think that we have the knowledge to answer that question.

Mr. Ginwala.—In answer to Question 5 you have given the cost of English material for 1922-23 as Rs. 4,756. Did these figures include the 10 per cent. duty at that time?

Mr. Colvin.—Yes.

Mr. Ginwala.—You have given here Rs. 4,756 as the cost of English material and your most recent figure is Rs. 3,108. Can you suggest any reason why it should have dropped as much as 50 per cent. in one year's time?

Mr. Colvin.—Apparently there has been a very big drop in prices in England.

Mr. Ginwala.—Does it not strike you as a very tremendous drop? The wagon manufacturers here put forward that as an instance of British underselling.

Mr. Colvin.—It is not much good asking questions about British wagon manufacturers. We have got no knowledge of what is going to happen. The office at Home may know something.

Mr. Ginwala.—Do you not wish to satisfy yourself whether the prices you pay are reasonable or not?

Mr. Colvin.—It is not our business to ask questions. We are officers of the Company, and we have nothing to do with the purchases made at Home. It is done by the Home Board and we should not raise any questions about them.

Mr. Ginwala.—May I know on what basis this price at page 10 Rs. 4,046 was fixed? This contract was with a local firm. Your price for the English materials comes to Rs. 4,756 and that works out to a total of Rs. 4,927.

Mr. Colvin.—That is a different contract.

Mr. Ginwala.—Quite so, but there is a difference of Rs. 1,000. On what basis was that price fixed?

Mr. Colvin.—That was a contract fixed at Home.

Mr. Mather.—Is it for the same type of wagon?

Mr. Colvin.—Yes.

Mr. Ginwala.—I think it is very essential to get the correct date as far as possible with regard to that contract with the English Company and the Indian Company.

President.—I have already asked for the dates of these contracts in another connection.

Mr. Ginwala.—There are, of course, three contracts—

(1) the contract for the 500 covered wagons of the A-1 type—1922-23;

(2) contract recently entered with a local firm;

(3) the one that is referred at page 11.

In every case I take it you import a complete wagon?

Mr. Colvin.—We never build any wagons out here.

Mr. Mould.—We built a few in 1906. We do not build any now.

President.—You built a few for experimental purposes? They are negligible in any case.

Mr. Colvin.—Yes.

Mr. Ginwala.—In your own works you charge Rs. 150 for the labour including wear and tear of tools, etc.,—page 11,—but when you do it on contract it costs you Rs. 250, that is because, I take it, your labour charges do not include overhead charges?

Mr. Colvin.—This Rs. 150 includes actual labour, power, and wear and tear of tools.

Mr. Ginwala.—But you find it more convenient to give the work out on contract.

Mr. Colvin.—Because we cannot keep pace with the work ourselves. No doubt it costs more, but we cannot keep pace with the work. In fact we have just given out another contract at a higher rate than this. We have been losing money by not having our wagons erected. We are busy with repairs just now and we have to give out erection on contracts.

Mr. Ginwala.—So far as your experience of Indian wagon building goes, do you find them to your satisfaction?

Mr. Mould.—We have not had any wagons built out here since 1913. Of course, they require very close inspection.

Mr. Ginwala.—What is your procedure in purchasing wagons? Do you go into the market at the same time as the Railway Board? How is it done?

Mr. Colvin.—I think the answer is that, so far as the Indian tenders are concerned, our wagons are included in the Railway Board's. Our Home Board do their own arrangements

President.—The tenders received by the Railway Board are sent on to your Home Board and they make the final decision?

Mr. Ginwala.—The price of the Railway Board is more or less the same as you pay. Is there any difference?

Mr. Colvin.—We have no knowledge.

Mr. Ginwala.—In your opinion, because of this difference between the British price and the Indian price, it would not be advisable to encourage local wagon building?

Mr. Colvin.—Not while the difference is so much.

Mr. Ginwala.—That is to say, if the difference continues to be so much. Do you assume that these British prices are normal prices?

Mr. Colvin.—I believe they are, but I have no means of knowing

Mr. Ginwala.—But taking the supply of wagons as a whole, would it not be difficult for an Indian wagon builder to continue his works unless regular orders were given? Would it be possible for them to do any wagon building on a large scale in this country unless that happens?

Mr. Colvin.—If the prices are up, Railways might start their own works.

Mr. Ginwala.—You have shown a difference of Rs. 1,000 in two years. Do you think it will be possible to manufacture wagons in this country at that price?

President.—When the manufacture of wagons is still in a very early stage in this country it is obvious that these enormous variations in price make it extraordinarily difficult for the Indian manufacturer to compete.

Mr Colvin.—If you want to help them you might do it by means of a bounty.

President.—Of course, there is this to be said as regards wagons. Inasmuch as Government itself is purchasing about 90 per cent. of the wagons brought into the country the customs duty may not be a good method of protection, because the payment is made by Government itself.

Mr. Colvin.—Yes.

Mr. Ginwala.—Suppose it was feasible to give a bounty on wagons, on what basis would you recommend that bounties should be fixed? You suggest that Government should go into the cost of production of these wagons in this country?

Mr. Colvin.—Government cannot give bounties unless they have gone into that question.

Mr. Ginwala.—There are various ways of doing it.

Mr. Colvin.—I do not think we have considered that.

Mr. Ginwala.—Would you like to say whether you would fix it every year?

Mr. Colvin.—I have not given the matter enough consideration at all.

Mr. Ginwala.—Have the Government of India any power to compel Company-owned Railways to buy wagons here?

Mr. Colvin.—They have got no power so far as we are concerned under the contract. Each Railway has got its own contract, and I do not know what the other contracts are like.

Mr. Ginwala.—In your case is there any other alternative for Government than to put on a tariff?

Mr. Colvin.—They may give the wagon building companies out here such a heavy bounty that they would be able to carry on.

Mr. Mather.—I notice that in answer to Question 6 on page 10 you have given us a statement of the different kinds of steel in an A-1 wagon. Some of your figures are distinctly different from those given to us for the same type of wagon by the Standard Wagon Company. Would you mind telling me whether the design and specification of the A-1 type definitely lays down the kind of steel to be used for specific parts of the wagon?

Mr. Mould.—There are alternatives.

Mr. Mather.—For instance, you have given 36 cwts. as the "B" class steel in the wagon. Burn & Co. told us that they used 17 cwts. A number of items agree almost entirely but some others are different.

Mr. Mould.—I can easily find out from Burn & Co. how the difference comes in.*

Mr. Mather.—If you could do that it would help us considerably in arriving at a figure. I naturally expected that your statement would come to about the same as theirs, but there are big discrepancies.

Mr. Mould.—I shall have both these statements compared and let you know

President.—Over the question of steel castings in answer to (*b*) on page 1, you have said that, if cast steel axle boxes were adopted in lieu of cast iron ones which are in general use, your probable requirements would be about 150 to 200 tons of steel castings annually. Are you still using cast iron axle boxes in the A-1 wagon?

Mr. Mould.—We are, but we are trying to work them all out.

President.—Does the specification prescribe steel axle boxes?

Mr. Mould.—These are semi-steel.

Mr. Mather.—Can you tell us what this semi-steel is? There are two or three kinds of things which are referred to as semi-steel.

Mr. Mould.—Some axle boxes are made of cast steel, some of semi-steel and others of malleable iron.

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* *Vide* Statement V (8).

Mr. Mather.—Malleable iron cannot be made in India from Indian pig iron at any rate. When you say that some are made of semi-steel do you mean iron melted with steel in cupolas? Is this the material that you refer to as semi-steel or is it some special malleable iron casting?

Mr. Mould.—It is a special process which was brought out some years ago. I do not know the specification. These are trade secrets.

President.—The important point as regards the future is the standardized wagon. Is the material of which the axle boxes are to be made prescribed in the specification? If it is semi-steel, that means a fresh complication in the list of materials to be used in a wagon.

Mr. Mather.—I take it that the 4 cwts. of steel castings referred to in the list on page 10 are for axle boxes.

Mr. Mould.—This includes the axle boxes. (The particular specification was read from a report.)

President.—In answer to Question 3 on page 2 you say "The quantity of mild steel scrap available for disposal varies, but from this Railway it can be taken as anything between 3,000 and 5,000 tons annually." That is what you sell apart from what you use yourself?

Mr. Colvin.—Yes.

Mr. Ginwala.—What price do you usually get for your scrap?

Mr. Colvin.—About Rs. 45 to 50 a ton.

Mr. Ginwala.—Do you find a market for it?

Mr. Colvin.—Yes.

Mr. Ginwala.—With regard to your wagons—on pages 9, 10 and 11—where you have quoted the prices of British materials including freight, landing charges and duty would you mind giving us the price separately for f.o.b. freight and landing charges in all these instances?

Mr Severs.—Yes.*

**Vide* Statement V (1).

No. 86.

Bengal Chamber of Commerce.

WRITTEN.

Statement I.—Memorandum submitted by the Bengal Chamber of Commerce to the Tariff Board, dated the 24th November 1923.

When writing to the Indian Fiscal Commission on the 4th January 1922 the Committee of the Bengal Chamber of Commerce said that they did "not declare themselves as being supporters of a policy of free trade or a policy of protection." On the contrary they held that India ought not to be bound to a rigid fiscal system. They recognised that free trade is attractive to merchants; but they did not rule out the possibility of protecting certain industries in certain circumstances. They did not favour the imposition of an indiscriminate protective tariff on all imported goods. But they suggested that the claims of any industry seeking protection should be investigated by an expert commission; and that if such commission decided that an industry should be protected the necessary steps in that direction should follow.

2. The Fiscal Commission, or at any rate the majority of the Commissioners, came to the same conclusion. Like the Committee of the Chamber they too favoured the exercise of discrimination "so as to make the inevitable burden on the community as light as is consistent with the due development of industries and to avoid abrupt disturbances of industrial and commercial conditions." The Commission also considered it to be obvious that the working of their scheme of protection postulated "the existence of a thoroughly competent and impartial organisation or tariff board" to make enquiries into the conditions of the industries and to recommend whether protection should or should not be extended to them. The Legislative Assembly agreed with the Fiscal Commission that the principle of protection should be applied with discrimination, and that a Tariff Board should be appointed to make the necessary investigations and recommendations. The Government of India accordingly appointed a Board, and directed that it should first examine the question of extending protection to the manufacture of steel in India.

3. The Committee of the Chamber, in discussing this question, have kept in mind the attitude adopted by their predecessors in 1922. They agree that the claims of every industry to protection should be examined on their merits; and they wish to make it clear that, because they may object to the levy of protective duties on one industry, they do not necessarily therefore object to such duties being levied in respect of some other industry or industries. They have approached the question in this spirit; and they ask that the remarks which follow may be considered as having reference to the steel industry only, and not to the general question of protection or free trade.

4. The Committee will first consider the conditions which, according to the report of the Fiscal Commission, must be fulfilled by an industry before protection should be granted to it. These conditions, stated very briefly, were:

(*a*) That the industry must be one possessing natural advantages such as an abundant supply of raw material, cheap power, a sufficient supply of labour, and a large home market;

(*b*) That it must be one which, without the help of protection, is not likely to develop at all, or is not likely to develop so rapidly as is desirable in the interests of the country;

(*c*) That it must be one which will be able eventually to face world competition without protection; but

(*d*) That any industry which is essential for the purposes of national defence and for which the conditions in India are not unfavourable should be, if necessary, adequately protected irrespective of the foregoing three conditions.

5. The first question is whether the steel industry satisfies these conditions. It may be said to satisfy condition (*a*) to some extent. The iron ore resources of India are admittedly very large, and they are readily accessible. But they are somewhat concentrated, and there will be a danger of the supplies being controlled by one or more particular interests to the exclusion of competition. It is also admitted that the percentage of iron in the ores is exceptionally high. By cheap power is meant cheap coal; and coal ought to be cheap, seeing that it is found close to the iron ore deposits and the existing works. But the increased cost of coal is stated by the Tata Iron & Steel Co., Ld to be one of the difficulties against which they have to contend. There has been, they say, an increase of 125 per cent. in the price between 1916 and the present time. It is inconceivable that protective duties will tend to make coal cheaper. On the contrary the Committee of the Chamber maintain that protection for steel will make coal dearer. So far as cheap power is concerned therefore the condition is not entirely satisfied. The supply of labour ought also to be sufficient, but it will be expensive. In fact the cost of labour is another of the difficulties of which the Iron and Steel Company complain. The quality of the labour is good enough for the production of what may be described as "raw" steel; but it is not good enough for various classes of steel manufactures. The home market is large, very much larger indeed than the Indian steel industry as at present constituted can possibly supply. Even if protection were to have the good results predicted for it by its advocates many years would of necessity elapse before the needs of the Indian market could be met by steel of Indian manufacture. Importing must continue for a very long time; and the exportation of Indian steel is even farther off.

6. With reference to condition (*b*) the Committee are unable to accept the view that an industry which has already developed to a very considerable extent is doomed to extinction in the absence of protection. Nor do they agree that protection would facilitate its rapid development. It may be that without protection existing undertakings which were started and partially developed under abnormal conditions may need to be more or less re-constructed; and re-construction will necessarily create difficulties and possibly distress for a limited number of persons. But other industries have been through similar periods of depression and discouragement, and their pioneers have been forced to bear the brunt of the losses. These industries have, however, eventually flourished without assistance from the Government or from protective tariffs; and the Committee see no reason to apprehend that the steel industry will not develop on similar sound lines. Nor do they believe that its development in such circumstances will be unduly retarded.

7 It is not easy to deal with condition (*c*); for once a protective duty is imposed it is impossible to forecast what the position will be if and when it is withdrawn The proposal is that it should be imposed at the rate of 33⅓ per cent. for a period of five years. But it is doubtful if this is considered to be the maximum time for which it will be wanted. So far as regards condition (*d*) the Committee do not for one moment overlook the fact that the rapid development of steel-making in India is very desirable for purposes of national defence. That India should be made as quickly as possible more self-supporting than she is now in respect of manufactured goods essential for the purposes of defence is a proposition to which the Chamber has assented on more than one occasion during and since the war. The Committee again endorse the proposition, but they are unable to see how the end in view will be attained by the levy of a protective duty on steel. They feel also that they may almost go so far as to claim that the Fiscal Commission were of this opinion. For the Commission described steel as a basic industry, meaning by that expression an industry the products of which are used as raw material by other industries; and they recognised that it might be undesirable to protect such an industry by means of import duties. For manifestly the result would be to increase the cost of the raw material used by other industries.

8. This is exactly the reason why the Chamber takes up a strong attitude against a protective duty on steel; and the Committee hope to show in the following paragraphs that the burden which such a duty would impose on all industries using steel would be insupportable. The Fiscal Commission suggested that the best way of helping a basic industry would probably be by means of a State bounty rather than by a duty. The Committee of the Chamber do not feel that they can express a definite opinion as to the fiscal wisdom of aiding industries by direct State subsidies. But they cannot conceive how, in the existing financial situation, it would be practicable to give effect to such a proposal. Acute financial stringency recently drove the Government of India to the extreme step of certifying an increase in the salt tax to enable them to balance their budget. And it could not be seriously suggested that a Government reduced to such financial straits should be asked to consider the possibility of undertaking the heavy burden of subsidising a particular industry at the expense of the general taxpayer.

9. If bounties are thus ruled out by practical considerations there remains only the question of protective duties; and the proposal which is before the Tariff Board is that the existing import duty of 10 per cent. on steel should be increased to 33⅓ per cent. This increase is to be made in the interests of the Indian steel industry. It is not proposed to levy the higher duty on fabricated steel, or on steel manufactures, but only on "raw" steel. It is, however, clear, from the evidence which has been already submitted to the Tariff Board by the engineering industries, that protection cannot be given to "raw" steel only It must be extended to all fabricated steel, that is to say to steel upon which any kind of work has been done. The Committee of the Chamber regard this as inevitable, and they have considered the question from that standpoint

10. One of the great advantages which it is claimed will follow the protection of steel is that not only will the existing steel industry benefit, but that new steel manufacturing companies will be established, and a very much larger industry developed, under the protection of the tariff wall. This may or may not be so, but the Committee of the Chamber regard it as problematical. It is obvious that any large scale development will take years, nor will it be commenced until the success or otherwise of the protective tariff can be gauged. This result can only be achieved in time and the Committee estimate the least possible time on which an opinion could be founded at five years. Even if the decision to start new Companies was then put into practice it would take another five to eight years before any production could be obtained. It appears then that a period of some ten to twelve years must elapse before the effect of any large scale development could be felt, and for that time at least therefore the duties would have to be continued at the particular rate of protection originally fixed. Great financial resources are required to establish a steel manufacturing plant and it is doubtful if capitalists would be willing to risk the uncertainty of the continuance of the duties at a high level for such a period. For India is a poor country and is certain to feel the effects of a considerable increase in the price of an article such as steel. There would be nothing unreasonable therefore in anticipating that a future Legislative Assembly may take a view of the tariff contrary to that accepted by the Assembly imposing the protective tariff, for there will be of necessity pressure from without and agitation from within to get the tariff reduced or removed.

11. Moreover, the provision of the finance required is not likely to be an easy matter. As has been already indicated, enormous capital will be necessary to develop the Indian steel industry to such an extent as to enable it to supply the needs of the country. And it is doubtful, the Committee of the Chamber think, if this capital can be raised in India If not, the Indian steel industry will have to look to Great Britain and to foreign countries for capital. But it may be assumed that these countries will be feeling the effects of the protective tariff, and they may not be willing to provide money for the further extension of the Indian steel industry.

12. But even if this difficulty be successfully overcome, there will still remain the question of the cost of the tariff to the community at large. It is admitted that the prices of Indian steel must be in the beginning raised to the full extent of the protective duty. The theory is of course that the tariff wall may be anticipated so to promote development that the resulting internal competition will regulate prices to the level of world prices. But this is to assume that the Indian steel manufacturers will prefer competition to combination among themselves, which is highly unlikely in view of the experience of other countries. A tariff usually tends to promote combines and trusts rather than competition among the manufacturers who are under its protection. Moreover, as has been already pointed out above, such competition could not become effective for a period of ten to twelve years.

13. The Committee of the Chamber cannot therefore consider it to be likely that when once the protective duties are imposed internal prices will fall. And if they do not fall their maintenance will mean that very considerable sacrifices will have to be made by India; for they will bear very hardly on practically every industry and trade throughout the country. Their relation to the production and distribution of coal may be first considered in this connection. The Committee mention coal first because, as the Fiscal Commission rightly observed, "an abundant and cheap supply of coal is the foundation of future industrial progress in India;" and because coal is, as the Commission went on to say, a basic industry "the development of which is of the greatest importance to industries in general" The Commission were strongly opposed to any protection for coal because, holding that cheap coal is essential to industries, they were "not prepared to recommend any measures which will make coal dearer."

14. To enable coal to be cheap certain factors must be present. The output must be high, the raising cost must be low, the markets must be plentiful, and the transport facilities must be good. So far as regards Indian coal the markets are available if India were only able to compete in them. Before the war, with an output of about 15 million tons yearly, India could supply her own internal requirements, and she could also compete successfully in the export coal trade to Rangoon, Singapore and Aden. At the present time the production is greater: in 1922 it was 18 million tons. But nevertheless it is behind the requirements of the developing industries of India Export has been therefore restricted; and the markets referred to above have been lost By reason of deficient transport facilities, and in the absence of an export trade, the output is now falling, and stocks are accumulating. Foreign coal is being imported into western India in increasing quantities, for the reason that to take Bengal coal by sea to Bombay is at present more expensive, and to take it by rail is very difficult. To get cheap coal it is necessary to reduce the raising cost But depreciation is a big item in the raising cost, and it must be calculated on the price of replacements and renewals An increase in the cost of steel, "raw" and fabricated, would consequently enhance depreciation. It could not possibly therefore tend in the direction of cheaper coal It must mean dearer coal; and it would not be consequently one of the measures which the Fiscal Commission would advocate. Then again the development of the coal mining industry will be retarded, for the capital cost of opening out new collieries will be of necessity increased if the price of steel is enhanced.

15. It is impossible to deal with coal without also considering the question of transport. The railway position in India is anything but satisfactory and to add to the existing difficulties will be to undertake a grave responsibility. The capital expended on the lines up to date is Rs 645 crores. Depreciation based on renewals and repairs amounts to a very large figure on this sum. The Inchcape Committee recommended that an average return of 5½ per cent. must be paid by the railways, and that working expenses should be curtailed accordingly. But there will be no curtailment of working expenses if the cost of all the steel to be used by the railways is to be increased by a protective tariff. On the contrary there will be a great increase in working expenses and a considerable rise in rates and fares will be inevitable

But the Inchcape Committee expressed the opinion that it is "not practicable to make any general increase in rates and fares without adversely affecting the trade of the country." It is argued, however, that although the railways may have to face severe losses when the protective duties are introduced, these can be made good from the additional customs receipts. Here again, however, the argument is defective. For if the tariff is to have the effect that it is designed to have it will develop the manufacture of steel in this country, and to a corresponding extent reduce the quantity of steel imported. The amount raised from the higher duties will no doubt be greater at first than it is now, but it will not tend to grow. On the contrary it will have a tendency to shrink; and if the tariff becomes really successful it will largely, if not entirely, disappear. The railway losses will then have to be borne by the railways themselves. And not only will the cost of working be higher than at present, but the cost of railway development will be enormously increased. Permanent way, bridges, stations, every description of railway work in which steel forms an element, will be much more costly. And the increase will not be restricted to railways. Road development will be curtailed, as bridge work and tools, etc., will be increased in price; and the already impoverished district boards, instead of expanding their road-making and repairing operations, will of necessity restrict them. It has been estimated that the cost of the proposed new road bridge over the Hughli at Calcutta would be increased by half a crore of rupees under the contemplated tariff.

16. "In any survey of India's present economic position the outstanding feature must be," said the Indian Fiscal Commission, "the predominant importance of agriculture." In a later paragraph of their report the Commission described agriculture as "the foundation of the economic life of India" and as being "largely the provider of raw materials for industry." There can be no question that these statements are literally correct; and it becomes therefore of the highest importance to estimate the effect of any measure of protection upon the interests of agriculture. If the levy of protective duties on steel is successful, and the importation of foreign steel is largely restricted, it is not unreasonable to apprehend a disturbance in the balance of trade. The total value of India's import trade for the year 1921-22 was about 266 crores of rupees and of this total nearly Rs. 81 crores was represented by iron, steel machinery, railway plant and hardware. Admittedly agriculture provides the means whereby India pays for her imports. And if imports are restricted by protection the value of this medium of payment will of necessity decline. A reduction of imports means an increase in the balance of trade in India's favour; and a consequent rise in the sterling value of the rupee. And if Indian products are to compete in the world's markets in sterling the Indian agriculturist will receive fewer rupees for his pound's worth of goods. But the cost of his agricultural implements, and of the galvanized sheets that are used throughout agricultural India for building purposes, will be simultaneously enhanced. He will be therefore adversely affected in both directions; and, furthermore, he will suffer from the restricted transport development. The cost of getting his produce to market will be increased; and his chances of benefiting from irrigation development will be lessened. Even under present conditions the agriculturists as a class are poor. They have very little in the way of margin after paying for their food and clothing; and if they are to be penalised by a protective tariff on steel the resulting distress among them will be great.

17. The Committee have now endeavoured to show that a sensible increase in the price of steel must have severe consequences on two of the greatest of India's industries And two industries, moreover, which the Fiscal Commission specially declared must not have further burdens placed upon them. Other industries also would be adversely affected. The engineering industries have been already referred to and it has been assumed, as indeed it must be, that any form of protection which may be applied to so-called "raw" steel must also be extended to fabricated steel. For if this is not done the engineering industries will cease to exist. All classes of general

engineering would suffer, and repairs to ocean-going steamers—which is a large industry in Bombay and Calcutta—would be prejudiced. Higher prices would have to be charged to cover the duty; and the steamers would reduce to a minimum their repairs in Indian ports. Jute mills, cotton mills, tea factories, shellac works and sugar works would all be affected by reason of the increased cost of renewals and repairs. The great ports of India must also be considered. They are a necessity for the trade of the country; and if trade is developing they must develop with it. Steel forms a considerable item in all their various works; and if it is enhanced in price they will be forced to make the trade passing through the port pay the difference. It would be possible to prolong the list of trades and industries which would be adversely affected by a tariff on steel. It would also be possible to show in detail what the results to each industry would be. But this the Committee feel to be unnecessary so far as they are concerned, as they understand that the principal industries, jute, coal, tea, etc., have already placed, or intend to place, a statement of their views before the Board. Similarly, the Committee content themselves with the above brief reference to the Calcutta Port Commissioners, for they are informed that the Commissioners have already presented a statement.

18. In conclusion I am to say that the Committee of the Chamber, after giving the fullest consideration to the question of whether protection should be extended to steel reply without hesitation in the negative. The steel industry is not, in their opinion, an industry which in view of the conditions prescribed by the Indian Fiscal Commission, should be protected.

Calcutta, 24th November 1923.

Statement II.—Enclosure to letter, dated 30th October 1923, from the Bengal Chamber of Commerce to the Tariff Board.

Committee Circular No. 433—1923, dated 26th September 1923.

The following are the replies* received from members in response to Circular No. 365, dated the 14th September 1923.

Letter, dated 15th September, from Messrs. Kettlewell Bullen & Co.

In reply to your Circular No. 365—1923, dated 14th instant, we are opposed to the extension of protection to the Indian steel industry.

The Jute and Cotton mills which we control are large consumers of steel products, and their interest naturally lies in being able to purchase their steel as cheaply as possible. If protection is extended to the Indian steel industry, an increase in the price of steel products is inevitable, and this in turn will render it impossible for us to produce our Jute and Cotton goods as cheaply as if protection were not so extended.

Letter, dated 15th September, from Messrs. Mackintosh Burn Ltd.

As requested by yours of the 14th instant, we have pleasure in sending herewith copy of our reply to the questionnaire issued by the Tariff Board. †

We would like to emphasize the effect which the suggested duty will have in the development of industries in Bengal on account of the increased cost of the erection of buildings, factories, etc.

The steelwork used in the erection of a Jute mill amounts to about one third of its cost, in office blocks about 22 per cent., while tea garden structures are almost entirely of a steel frame type.

Domestic buildings will also be affected and their cost is already high. We are strongly of opinion that the present 10 per cent. tax, cost of freight, insurance and dock charges form ample protection to the local manufacturers as the competition they have to face is mainly British. Continental steel is never specified for or allowed in the construction of any important works.

Letter, dated 18th September, from Messrs. J. Mackillican & Co.

We are in receipt of your Circular letter No. 365—1923, in connection with the above subject.

In reply we beg to state that it is our considered opinion that any form of protection is contrary to the interests of India as a whole.

Letter, dated 17th September, from Messrs. Mackinnon, Mackenzie & Co.

With reference to your Circular letter No. 365 of 14th instant, in which you ask for an expression of our opinion on the question of extending protection to the Indian Steel Industry, we would advise that we are opposed to protection to any special industry, as this in the case of individuals would result

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* Two letters from Messrs. Turner, Morrison & Co., and one each from Messrs. Parry & Co., and the Calcutta Import Trade Association have been printed elsewhere, and are not reproduced here.

† Printed separately.

in an increase in the cost of living and in the case of purchases by Government in an additional burden on the taxpayer.

There seems to be no reason why the Steel industry should obtain special protection at the expense of the general community. Further, if protection were granted to this industry, other industries would expect and demand similar privileges.

Protection of any industry must inevitably result in increased prices and would mean the enrichment of a favoured few at the expense of the general public.

Letter, dated 18th September, from Messrs. Stewart's & Lloyds Ld.

We are in receipt of your Circular No. 365, dated 14th September in which the Committee invite an expression of our opinion, in common with other Members of the Chamber, on the question of extending protection to the Indian Steel Industry.

As Manufacturers, in the United Kingdom, of Steel, for which we are here to find a market, it might be considered that any statements we make are prejudiced. It is not, however, quite clear to us whether the proposed enhanced tariff on Steel asked for by Indian Steel Industrialists is to be extended to all classes of manufactures irrespective of whether certain articles are manufactured in India or not.

The principal article in Steel in which we are interested is Tubing, although we also manufacture plates, sections and castings.

Tubing is not manufactured in India and, as it is a class of material extensively used, we consider to enhance the duty on it would be placing a heavy burden on the general public, it is only necessary to give the following examples in confirmation of this contention:—

I. Oil Companies use very large quantities of Steel Tubing for well drilling, oil lines, etc., an enhanced duty will increase the cost of their products such as Kerosene, Petrol, Candles, etc.

II The cost of installing Water Supply Schemes would be increased to such an extent that many schemes, some badly required, would become impossible.

III. Collieries use large quantities of Tubing in winning Coal consequently their costs would be increased which would be transferred to Mills, Shipping, Railways, Lighting and Power Companies and the Steel Companies themselves. Jute and Cotton goods, freights, fares, light and power charges, etc., would be advanced in price on that score irrespective of Tubing being a necessity to all these concerns in their own branch of manufacture or working.

The above is a dispassionate view of the question, as any enhanced tariff would not in any way affect our cost, but it will be seen that so far as Steel Tubing is concerned, with a 33⅓ per cent. duty, it would mean an increase of about Rs. 70,00,000 per annum in revenue to the Government without in any way affording assistance to the Indian Steel Industry.

Our opinion is that the present duty of 10 per cent. is too high and that Tubing should come into the country under the same tariff as Machinery of which it is really an essential part.

Letter, dated the 19th September, from Messrs. Hoare, Miller & Co., Ld

We beg to reply to your Circular No. 365—1923, dated 14th instant.

We beg to state that we are not in favour of extending protection to the Indian steel industry, as we feel that such protection would inevitably tend

to raise prices in this country of all articles in which Indian steel or imported steel is an element, at a time when the financial position of the country is such that every effort should be made to reduce prices to the consumer.

Letter, dated the 19th September, from Messrs. Jessop & Co., Ld.

In reply to your Circular No. 365, dated September 14th. We would refer you to the memorandum drawn up by the Indian Engineering Association with reference to the Tariff Board's press communiqué, dated 17th July, 1923, with which we fully concur.

This memorandum can therefore be taken to represent our views on the question of extending protection to the Indian Steel Industry.

Letter, dated 20th September, from Messrs. Martin & Co.

We have to acknowledge the receipt of your circular No. 365, dated 14th instant in which you ask us for an expression of our opinion on the question of extending protection to the Indian steel industry which the Tariff Board now has under consideration.

The one steel making company in India is the Tata Iron and Steel Company and should circumstances force this company to cease the production of steel it would be a blow to the general industrial development of India greater than any heretofore experienced. This is probably realised by Government as much as by the commercial community, so that the Tata Iron and Steel Company is likely to receive sympathy from all sides, the problem reducing itself to the question: to what exent is protection necessary and how can that protection be best secured?

The Tata Iron and Steel Company have put forward a claim that the duty on imported steel should be increased from 10 per cent. to 33⅓ per cent. From the published evidence of the Tariff Board's inquiry it is impossible to judge whether the claim can be substantiated or not and on this point we are unable to express any opinion, but we would mention that in considering the question of protection it should be possible to arrive at a figure representing the capital sum required per ton output for the operating of a steel works and this figure should not be lost sight of.

On general grounds the steel industry satisfies the conditions laid down by the Fiscal Commission as necessary for the adoption of a protective policy, excepting for the fact that steel in reality is a raw material feeding a vast number of other industries and is, in fact, the foundation on which much of the industrial activity of the country depends, and that as such should ordinarily be admitted without the burden of protective duty.

To place upon steel, therefore, the high protective duty proposed is sure to have far-reaching effects. The 33⅓ per cent. extra duty proposed is not much more than the difference between the c.i.f. cost of British and Continental steel, so that one effect of the duty might be to oust British manufacturers and to concentrate the attention of Continental manufacturers upon the Indian market.

Arguing on general principle it would seem the proper policy to keep low custom duties on imported steel and a high protective duty on all imported fabricated steel, the Tata Iron and Steel Company being helped through their present difficulties by a bounty. We would also suggest that a fair market for steel supplied to Government Departments should be paid to the Company. In connection with the high protective duty suggested on all imported fabricated steel it must be remembered that there are already sufficient Engineering Workshops in India to guarantee that owing to competition fabrication of steelwork will be carried out at a reasonable profit.

Letter, dated 21st September 1923, from Messrs. Marshall Sons & Co. (India), Limited.

With reference to your circular No. 365 of the 14th September, I have pleasure in enclosing a copy of the note which I wrote for the Secretary, Indian Engineering Association, when they had this question of protection for Tatas under consideration. I have now a copy of this Association's memorandum on the subject dated the 10th of September. I have studied this report with great interest, and I quite agree that only if no other method of keeping the trade alive can be found should assistance by means of protective duties be given.

The question of whether the industry requires assistance at all is one that is by no means easy to decide, and the practice of Tatas in giving their important evidence in camera certainly obscures their case from the point of view of the public. I have only seen newspaper reports so far of the evidence given, but on these no case has been made for an industry which has admittedly been developed without consideration of finance and without foresight for the future.

I have been trying to look into the figures of dividends and reserves since the initiation of the Company, but I cannot collect all the necessary facts Perhaps the Secretary would be able to do so before our meeting on Tuesday. If it is then found that profligate methods of business have been adopted we can only suppose that this is the reason for the desire to hide the facts from the public by giving their evidence in camera.

However, if for any reason it were found that the industry is worth assistance and needs assistance, I desire to suggest that the best method of doing so is by throwing open all purchases made on behalf of the Government of India to open competition with rupee tenders and publication of results of such tenders. This will bring the basis of competition on a level which it certainly is not at present, and will materially assist both the steel trade and all its allied industries.

If it was found for any reasons that even this assistance was not sufficient then some system of bounties should be carefully worked out which should be renewed every three years. The system of bounties is preferable to the system of import duties in a case like that under discussion, but it must be remembered that equally with import duties bounties eventually fall for payment upon the taxpayer and the consumer.

Dated Calcutta, the 13th August 1923.

From—MESSRS. MARSHALL SONS & CO. (India), Ld.

To—The Secretary, Indian Engineering Association.

With reference to your circular 99-1. E of the 2nd August, we have pleasure in giving you a short opinion on the point which you have raised, *viz.*, the desirability of protection in any form for the steel industry of India.

1. In paragraph 97 of its report the Indian Fiscal Commission laid down three main conditions which might entitle an industry to protection.

The first condition was that it should possess natural advantages, and under this the steel industry must be held to qualify.

The second was that the industry must be one which either will not develop at all or will not develop sufficiently rapidly without protection. It appears to us that the steel industry in this country has certainly developed to an amazing degree during recent years. Though its further increase may be desirable in the interests of the country it is doubtful whether protection is required to assist it.

Third consideration is that the industry shall eventually be able to face world competition without protection. Here again the steel industry must be held to qualify.

2. It is not to be wondered at therefore, that the Fiscal Commission suggested it as one of the first subjects for enquiry by the Tariff Board, but it must be borne in mind that this is far from being a recommendation for its protection. It must be remembered that shortly before the Fiscal Commission completed its labours, the Tariff rate for imported steel was raised from 2½ per cent. to 10 per cent.

3. What the Tariff Board has to do therefore is to examine this high rate with a view to discovering, whether it can be justified, or whether there are any circumstances which call for its reduction or its enhancement.

4. In considering the question of steel it must be remembered that to a great extent its utility lies in the fact that it is a semi-manufactured article, which is used as a raw material in the process of manufacture of other industries in India. It may be argued therefore that as such it should be admitted at the lowest possible rate of taxation, and the Fiscal Commission definitely laid it down that no increase in duty on such an article should be admitted, whatever the revenue necessities of the country, until the Tariff Board had been consulted.

5. If we turn to the figures of Import and Export for the year 1921-22, we find that Iron and Steel were imported to the extent of Rs. 21,16,00,000. We are not in a position to break up these figures in order to show how much of this enormous sum must be allotted to the heading "Steel," but we are of opinion that an examination would show that to steel must be given the major portion of the value.

6. The position of machinery manufacturers in India is at present not an enviable one. They have in many cases invested large sums of money in the development of factories and works under the impression that they would receive every consideration and support from Government, but the necessities of the Finance Department have driven the Government of India to such straits that at present such works have to pay 10 per cent. for their imported steel and compete against foreign machinery which is brought in at a 2½ per cent. duty. It may be argued that it is unnecessary for them to use imported steel, and propaganda has actually been put forward to the effect that their full requirements, equal in quality to imported British manufacture, could be made available for them in India at a price considerably lower than the imported article. The figures of import of steel hardly bear out this view, and we certainly venture to suggest that at present the steel manufacturers of India would be quite unable to meet the demands that would be made upon them, if importations ceased.

7. However, if it is indeed a fact that the steel trade of India is capable of giving at a cheaper rate to the manufacturers requiring their products as good a quality as can be obtained elsewhere, it seems to us that the industry has arrived at a point in its career when it certainly does not require protection. This point will doubtless have the fullest consideration of the Tariff Board who may well consider that at present an industry so well established and so able to compete with the world is being unduly favored at the expense of the taxpayer by the present revenue duty of 10 per cent. on imports.

8. We would further give it as our opinion that a removal of this duty at the earliest possible date would assist the industrial development of India by giving the industries which require to use steel a cheaper raw material to work upon. This point in our opinion far outweighs any advantage to the country which could accrue from blostering up with the present high import duty an industry thoroughly well established and able to compete on its own merits with the world.

Letter, dated 21st September 1923, from the Vulcan Iron Works, Ld.

In reply to your above, we beg to give you our views on the question of protection to the Indian Steel Industry.

We are at the present moment, entirely opposed to protection of the steel manufacturing trade in India, especially if the suggested protection is to take the form of an increased duty on unfabricated steel. Our views might be modified when the time arrives that all the steel required in India can be manufactured in India, but at the present moment, we are of the opinion that it would be fatal to firms such as ours to protect the steel manufacturing industry by an increased duty on unfabricated steel.

The first and main point of protection to the steel industry in India by an increased duty on unfabricated steel, would, of course, be that the increase would have to be passed on to the consumer, as it is impossible in the present condition of trade for the fabricating firms to bear even the smallest portion of the increased duty. The effect of increasing the cost of steel, as far as we can see, is bound to have the effect of reducing the expenditure on steel structures in India, and would reduce the demand for steel to a minimum, which we do not think that Government desire, and certainly firms engaged in the trade cannot view with anything but the most serious consequences.

In our opinion, the cheaper steel can be purchased by the fabricating firms, the better it is for the country at large, as it means cheaper buildings, and consequently, cheaper rents in cities like Calcutta, which is a point to be lost sight of, and more employment both of artisans and of the necessary supervisions.

The steel producing industry in India has already the advantage of a 10 per cent. duty, the cost of freight and insurance, etc., from the Makers' Works to an Indian Port, and we think that the question of the cost of production of steel in India should be gone into very closely before protection is granted, if Government eventually decide that protection in some form or other is necessary. In the event of it being found that extensions to plant have been made without due consideration to the cost at the time of ordering compared with normal, the case of the claim to protection is considerably weakened.

We would here point out that for some time past, the engineering trade has been suffering from an unprecedented slump, and a careful perusal of the Financial State of Engineering Firms, say in "Capital," will give a very good idea of the position of affairs, and if the Government of India think fit to take the steps suggested, it can only have the effect of making matters very much worse than they are at present.

Letter, dated 21st September 1923, from Messrs. McLeod & Co.

In reply to your circular No. 364—1923 of the 14th instant, we beg to state that we are not in favour of protective Import Duties, but consider that the Government of India should encourage and support the Indian Engineering Industries by placing in India a certain proportion of the Government orders. Such orders would be open to competitive prices from Indian firms only. The Government can ascertain the productive capacities of Indian Engineering Works and on this basis gauge the proportion of orders to be placed.

We think if from, say, 30-50 per cent. of the Government orders are so placed in the first instance, it will be found that, with the support so afforded, the Engineering Industry in India will be able to establish itself on a sound footing and a gradual reduction in prices will take place as the output of the Works becomes greater.

Oral evidence of Mr. J. W. A. BELL, representing the Bengal Chamber of Commerce, recorded at Calcutta, on the 10th December 1923.

President.—I think it will be convenient to begin with paragraphs 4 and 5 of the representation sent in by the Chamber. In paragraph 4 they summarize the conditions laid down by the Fiscal Commission as justifying the grant of protection to an industry, and then go on in paragraph 5 and the subsequent paragraphs to explain the views of the Chamber about that. That is where I think it will be most convenient to begin. In paragraph 5 you say "The iron ore resources of India are admittedly very large, and they are readily accessible. But they are somewhat concentrated, and there will be a danger of the supplies being controlled by one or more particular interests to the exclusion of competition." By "concentrated," I take it, you mean that for the most part they lie in one part of the country?

Mr. Bell.—That is the idea.

President.—I think the information that we have received is that there is a good deal of iron ore in other parts of the country as well—the Central Provinces for instance—although at present owing to the absence of coking coal in the vicinity it is unavailable, but at any rate the great bulk of the iron ore with which we are concerned at present lies in Singhbhum and the Orissa Feudatory States. Now, when the Chamber say that there is a danger of the supplies being controlled by one or more particular interests to the exclusion of competition, have they any facts that they would like to lay before the Board?

Mr. Bell.—That merely qualifies the statement that the industry has the advantage of an abundant supply of raw material. We are merely pointing out as a qualification that it might get into the hands of one set of people, but, at the same time, apart from that, we may say generally that it has a large supply of raw material.

President.—If it is a material qualification, then I think the inference would be that there was a real danger of these supplies coming under one control.

Mr. Bell.—The statement there is merely to meet any possible criticism of their statement that might be made that there is ample supply of raw material.

President.—As far as iron ore is concerned all the evidence received has been to the same effect, *viz.*, that that part of India is extraordinarily rich in iron ore which contains a very high percentage of iron, and we have received no evidence so far which would lead us to think that there is any danger at present of their coming under monopolistic control.

Mr. Bell.—I don't think the point is an important one being merely put in as a general qualification.

President.—I don't see why the qualification is needed unless there is a real danger. After all the same danger exists in any other country. Take the Lake superior ores in the United States; they are not quite so concentrated, but they lie in one district of the country. I don't think there is any indication that they have been monopolized by the United States Steel Corporation to the exclusion of the Independents?

Mr. Bell.—I don't think that the Chamber press it as an important point. They make a general admission that the industry satisfies certain provisions made in the Fiscal Commission's report, and they merely put that as a minor qualification. I don't think that it is a point they intended to press.

President.—It might be taken as suggesting that the Tata Iron and Steel Company were trying to monopolize the supplies.

Mr. Bell.—I don't think that is the suggestion of the Chamber.

President.—That impression might have been received by the Chamber owing to the evidence of the Tata Iron and Steel Company that their resources in their ore mines, and the concessions they have received or are likely to receive, were something like 500 million tons. I think it is important that it should be made clear that the available supplies of iron ore run to very much larger quantities than that so far as they can be determined at present.

Mr. Bell.—The Chamber's idea in pointing out that the iron ore resources lie in a certain area was that it might be shown that it would be a possible thing to concentrate them in one set of hands.

President.—There is at least this to be said, although the Chamber has not taken the point, that there may be a practical limitation to the number of possible sites for steel works in India. It must either be in the vicinity of coal or in the vicinity of iron ore and there is also the question of water. A concentration of the steel industry in that sense may be inevitable, but because it is concentrated in a particular area it does not follow that it must necessarily be in the hands of one syndicate or firm.

Mr. Bell.—I don't think the Chamber's intention in putting in that paragraph was the one you seem to be pointing to.

President.—My difficulty was that the representation did not say clearly what the point was. I really do not think, as far as I can judge at present, that the danger is a very great one. The bulk of the area, or at least a good deal of it, lies in a Government estate in Singhbhum and the rest of it is mainly in the Feudatory States which are controlled by the Local Government.

Mr. Bell.—I think the Chamber say these things are all there. There is always the possibility. I don't think that it was put in as a warning or anything of that sort.

President.—We will now pass on to the next question and that is the question of power. The Chamber say that: "By cheap power is meant cheap coal; and coal ought to be cheap, seeing that it is found close to the iron ore deposits and the existing works. But the increased cost of coal is stated by the Tata Iron and Steel Company, Limited, to be one of the difficulties against which they have to contend." They eventually say two or three sentences further on "So far as cheap power is concerned therefore, the condition is not entirely satisfied." I take it the reference to the statement made by the Tata Iron and Steel Company must be to page 12 of the pamphlet containing their representation where they say "coal has increased from Rs. 4 in 1916-17 to Rs. 9 per ton to-day and it takes four tons of coal to make one ton of finished steel." In that paragraph the Tata Company were apparently explaining the fact that, since the termination of the war, their cost of production had increased, whereas in other countries the cost of production had gone down.

Mr. Bell.—Do they suggest that the cost of coal in other countries has not gone up?

President.—They suggest that since 1918-19 the price of coal has gone down.

Mr. Bell.—And still at present it is at a very much higher level than it was before. What does it cost to raise a ton of coal in India?

President.—You are in a better position than we are to pronounce about the raising cost. What they said was that their coal cost was twice as much in 1922 as it was in 1916-17 and that was one of the reasons why their cost of production since the war had gone up while the cost of production in other countries had been going down. But that has not any direct bearing in itself on the question whether the condition laid down by the Fiscal Commission is satisfied. It might well be that coal, quality for quality, might be cheaper in India than in other coal-producing countries and that being so they still possess a natural advantage.

Mr. Bell.—I say that India does possess such natural advantage in having cheap coal.

President.—That is the view of the Chamber?

Mr. Bell.—Yes. They say if you put on a 33⅓ per cent. duty you will increase the cost of coal and naturally that advantage will be minimized or reduced.

President.—Quite. But let us confine ourselves to the primary point. I understood that the Chamber were of opinion that they were not satisfied that the advantage of cheap power was possessed in India.

Mr. Bell.—The Chamber's view is put down here. "By cheap power is meant cheap coal: and coal ought to be cheap, seeing that it is found close to the iron ore deposits and the existing works. But the increased cost of coal is stated by the Tata Iron and Coal Company, Limited, to be one of the difficulties against which they have to contend. There has been, they say, an increase of 125 per cent. in the price between 1916 and the present time. It is not conceivable that protective duties will tend to make coal cheaper. On the contrary the Committee of the Chamber maintain that protection for steel will make coal dearer. So far as cheap power is concerned, therefore, the condition is not entirely satisfied." If you put on 33⅓ per cent. you will decrease the advantage: you will increase the cost of coal directly or indirectly.

President.—That surely is mixing up the two points together. The primary point is "Does India possess this natural advantage as things stand to-day?"

Mr. Bell.—It does.

President.—You consider that if protection to the extent desired by the Tata Iron and Steel Company is given, part of that advantage will disappear or rather the advantage will be smaller?

Mr. Bell.—Yes.

President.—But it would still possess an advantage?

Mr. Bell.—Yes.

President.—It is important to get clear about that point. I did not quite clearly understand what the view of the Chamber was?

Mr. Bell.—It is rather the point of view of the Chamber that it will possess the advantage. You will find that later on.

President.—I was not able from the written statement to arrive at that conclusion and that is why I was anxious to clear up that point now. Another thing I was going to suggest was that if India did not possess a natural advantage in respect of her coal, it is very difficult to see how pig iron can be produced cheaply in this country.

Mr. Bell.—We say it does possess such an advantage.

President.—Therefore as regards raw material the condition laid down by the Fiscal Commission is satisfied?

Mr. Bell.—We may take it that it is, with the slight modification set forth by the Chamber.

President.—But substantially?

Mr. Bell.—Substantially they have this advantage.

President.—Then you go on to labour. The Chamber say "The supply of labour ought also to be sufficient, but it will be expensive. In fact the cost of labour is another of the difficulties of which the Iron and Steel Company complain. The quality of labour is good enough for the production of what may be described as 'raw' steel, but it is not good enough for various classes of steel manufacture." Is that a repetition of what the Tata Company have said or is it the view of the Chamber?

Mr. Bell.—That is the view of the Chamber.

President.—I thought possibly you were referring to some statement of the Tata Iron and Steel Company that I had not seen. What are the classes of manufacture for which the Chamber consider Indian labour is not good enough?

Mr. Bell.—The idea is that they will be short of expert labour, say. of the same class of British foremen who are brought out here for Jute Mills. They will require to import these. It is admitted that is an expense they will have to face.

President.—That rather goes to another point which I was going to put to you in a moment. You say " It is good enough for the production of raw steel but not good enough for various classes of steel manufacture." What I want to find out is what sort of things are the Chamber thinking of?

Mr. Bell.—Specialized things like the making of high grade steel and articles of that sort which, I understand, require more experienced class of labour trained to a higher point than raw steel production.

President.—Of course, no attempt has yet been made, except in the Government Factory at Ishapore, to produce this kind of steel in India, so for the time being at any rate they are not before us. But you consider that for the production of the kinds of steel that the Tata Company have been producing Indian labour is adequate for that purpose, subject of course, to this that for a certain time, which nobody can yet determine, the more skilled appointments will have to be filled by Europeans?

Mr. Bell.—One recognizes that that must be so for a time.

President.—To go back one sentence " The supply of labour ought also to be sufficient, but it will be expensive." I take it in saying " it will be expensive " the Chamber were thinking purely of the necessity of employing imported labour?

Mr. Bell.—Yes, and the training of local labour.

President.—For the time being, during the period of training, Indian labour would be relatively inefficient?

Mr. Bell.—I would not call it relatively inefficient. It would require a certain class of training which it does not have just now.

President.—Well, what the Tata Company themselves have put before us is that, while their labour is being trained for the production of steel, there must necessarily be higher costs. Is that what the Chamber had in mind?

Mr. Bell.—I think we had the same thing in mind, but I would like to point out again that in this paragraph you appear to be thinking that the Chamber take up the position that for this reason they object to the answer being " yes ": they don't. While they put in this qualification, broadly speaking, they admit the whole of (a). They don't want to say that everything is right: they say there are certain qualifications, but broadly speaking they admit the whole of (a).

President.—What I was going to suggest was that it is an admitted fact that it is a part of the case put forward by the Tata Iron and Steel Company that for the present labour will be expensive, but that is a difficulty which will eventually disappear.

Mr. Bell.—That rather justifies the Chamber's putting in that slight modification.

President.—But it seemed to me that your modification had eaten up your broad statement.

Mr. Bell.—I don't think so.

President.—Look at the second sentence of paragraph 5: " It may be said to satisfy condition (a) to some extent."

Mr. Bell.—It may be a slightly grudging admission but it is an admission. I think it is more a question of drafting than intention.

President.—At any rate, subject to the qualification we have been discussing, you agree that the condition is satisfied?

Mr. Bell.—Yes.

President.—Just before we get on to condition (b) I am not sure that I understand the last sentence " The home market is large, very much larger indeed than the Indian steel industry as at present constituted can

possibly supply. Even if protection were to have the good results produced for it by its advocates many years would of necessity elapse before the needs of the Indian market could be met by steel of Indian manufacture. Importing must continue for a long time." Do the Chamber desire that any special inference should be drawn from that passage?

Mr. Bell.—If you give them this tariff on steel and they progress in the ordinary rate of progression they will still require to import large quantities of steel. The rate of progression is of necessity slow.

President.—There may be a distinction to be drawn between the special kind of steel which is difficult to produce and the ordinary steel which the Tata Iron and Steel Company are concerned with?

Mr. Bell.—I have not got the exact figures but I should say that while the statement will apply to special class of steel, perhaps to a greater extent, it does apply to ordinary steel as well.

President.—Even to this day I think some steel is imported from Great Britain to the United States of Americt in spite of protection. No doubt these are special things which for some reason can be better done in England.

Mr. Bell.—That is a part of the Chamber's case.

President.—That being so all I wished to know was whether they regarded that as in itself an objection to protection?

Mr. Bell.—That would undoubtedly be an objection to protection.

President.—There may be a difference of opinion as to the length of time but there must be some interval during which there must be some importation: that is inevitable. Going on now to the condition (b) the Chamber say "The Committee are unable to accept the view that an industry which has already developed to a very considerable extent is doomed to extinction in the absence of protection," and later on in the same paragraph they say "It may be that without protection existing undertakings which were started and partially developed under abnormal conditions may need to be more or less re-constructed." Does this mean that in the opinion of the Chamber steel manufacture could be carried on at a profit at Jamshedpur if the capital of the Company were written down to what it would cost to work similar works at the present time?

Mr. Bell.—The Chamber want to avoid any reference to any particular works.

President.—I am not suggesting for a moment that I take the least objection to the statement: I am trying to find out what it means.

Mr. Bell.—I think it means this that you have here an industry with almost every natural economic advantage. You have large quantities of iron ore and manganese and of the things that are used as flux, and you have coal and labour: you have everything and it has every natural advantage and it cannot surely be said that this industry cannot be successfully carried on without a protective tariff, even if one particular undertaking were to say that it could not be so carried on. Where you have to prove a negative like that you must have more than an isolated instance. You cannot say that it cannot be done because one particular attempt has been made to make the steel industry a success without protection and has failed. I don't know whether it has failed or not, but even if it has failed it is not an evidence that the steel industry cannot exist without protection.

President.—But might it not be the case that, in spite of the natural advantages, there might be an inevitable period during which it was learning how to make steel, and some assistance might be necessary?

Mr. Bell.—It would require to be a very much stronger case than you have just now if you propose on that account to tax the whole country. You have not a strong case, you have an isolated example.

President.—But we have got to deal with it: there it is. What I wished to ascertain, if it was possible, was whether the Chamber were expressing

an opinion as to what possibly might be done at Jamshedpur in view of the evidence which was published.

Mr. Bell.—They go on here to say that if any existing works are not successful, the remedy may lie in reconstructing them.

President.—It may, but it is a question of evidence very largely.

Mr. Bell.—What the Chamber say is that it is not proved that the steel industry cannot be run successfully in India because one particular experiment has not been successful—particularly as that experiment was undertaken at an abnormal time.

President.—Is it the suggestion that owing to the time at which the Greater Extensions were started, the capital expenditure was excessive in view of present day prices?

Mr. Bell.—The suggestion is rather that any particular example given would be open to that objection. The Chamber are not criticising either the method by which the Tata Company are managing their works or how they carry out their extensions. They speak in a general way that one particular example cannot be taken to prove that an industry cannot be carried on without protection.

President.—It would be very serious if you go that extent. In a country like India where new industries are starting, it means that we can never get to work at all.

Mr. Bell.—All industries in India were at one time new.

President.—They were not cases of a single firm.

Mr. Bell.—They did not ask for protection.

President.—In the case of steel unfortunately, owing to the scale of operations, it was not likely that two firms could start simultaneously.

Mr. Bell.—It is merely a matter of conjecture. If it is purely a matter of conjecture, it is on both sides.

President.—You can certainly answer that the question is one that wants very careful consideration as to how far protection is necessary if the manufacture of steel is to be carried on in India at all. But surely it is going very far to say that you cannot prove the necessity of protection from a single instance.

Mr. Bell.—It is undoubtedly so.

President.—Is this the attitude of your Chamber?

Mr. Bell.—The attitude of the Chamber—I think I am entitled to say that—is that they are not satisfied that the manufacture of steel cannot be carried on without protection.

President.—It might be that the Chamber after a careful examination of the evidence had come to the conclusion that a case was not made out, but I understood from you that that was not the position. They are laying down the proposition on theoretical grounds that it cannot be established on the experience of only one company, that protection is necessary.

Mr. Bell.—The experience of one company is always open to doubt. I went further than that. What I said was that you would require more than the experience of one company before you could impose a protective duty.

President.—The inference to be drawn from that seems to me to be very remarkable because it means that it is no use Tatas going to the Government of India or the Tariff Board or anybody else and saying "we want to prove that steel cannot be manufactured at a profit in India to-day without protection." The reply of the Bengal Chamber of Commerce is "no, you cannot possibly prove that because you are only one Company."

Mr. Bell.—You go further than I have gone. The Bengal Chamber require further evidence and they say that one company cannot give very valuable evidence.

Mr. Ginwala.—That is just the point. What sort of further evidence do you require? What are your reasons for thinking that the steel industry can exist without protection?

Mr. Bell.—Because you have only the evidence of one company—the evidence of a company that was known to have expanded under abnormal conditions.

Mr. Ginwala.—Please assist us by explaining the reasons which make you think so. We can get no better evidence. There is no other company except Tatas at present manufacturing steel.

Mr. Bell.—You would have the natural expansion of the industry in India. You might have another company. You certainly cannot take a very important decision like the question of raising the duty to 33⅓ per cent. on the evidence of one company.

President.—Why not? After all any evidence that the Court can demand is, in the words of Lord Mansfield, " the best available in the circumstances." That is the highest that can be demanded. It may be very unfortunate. It is an obvious difficulty, but there is no getting away from that.

Mr. Bell.—Your proposition to a certain extent differs from mine because you say that you cannot prove anything by one example while you can. You can prove a positive thing but not a negative. To prove that steel could be manufactured at a certain rate, if you could show that it had been manufactured at that rate, it would not be open to anybody to say that the works had been run on uneconomical basis, that the machinery had been bought at too high a price or anything at all because there you have the fact that the thing had been done; but if you want to prove that it cannot be done, you require a great deal more evidence.

President.—We have placed before you all the evidence we can get. There is nothing more than that. I am speaking only for myself, but I don't accept for a moment the conclusion that we are absolutely stopped because there is only one company manufacturing steel.

Mr. Bell.—That is a matter of opinion.

President.—In these circumstances it seems to me perfectly idle for the Fiscal Commission to recommend that the question of protection of steel should be examined at the earliest possible date.

Mr. Bell.—The question of the Fiscal Commission is a thing outside my evidence.

President.—We have done all that we could to obtain further evidence from firms in India that at one time contemplated manufacturing steel or still do so. The only figures we have obtained are from Messrs. Bird & Co., Agents of the United Steel Corporation of Asia. The figures they put before us show that they contemplate an eventual production of 450,000 tons. It is a little higher than what the Tata Company expect to produce. Their estimated capital expenditure, involved in the works themselves, putting aside working capital and the sum necessary for subsidiaries, is something like Rs. 15 crores as against Rs. 20 or 21 crores which is the Tata Company's capital. If their figures can be accepted, no doubt it means that steel works can be constructed now a good deal more cheaply than 4 or 5 years ago. Still, the figures are high and they do not suggest that the capitalisation of the Tata Company is so high as it is sometimes represented to be. However, what I want to get at is whether the Chamber are expressing any opinion on that subject or not. After all there are two ways in which the Tata Company may have gone wrong. One is overcapitalisation.

Mr. Bell.—The Chamber are not expressing any opinion about the Tata Company simply because they do not wish to criticise a firm. I have no wish to criticise the Tata Company in any way. I want to get at the thing in a general way.

President.—We rather hoped that an opinion would be expressed on that. That was the reason why we took steps to get the evidence published.

However, if the Chamber have not come to any conclusion on that subject, then, of course, you obviously cannot express any opinion.

Mr. Bell.—They have avoided coming to any conclusion on that subject.

President.—You say in paragraph 6, line 3, "Nor do they agree that protection would facilitate its rapid development." Does that mean in the opinion of the Chamber that steel manufacture will develop as rapidly without protection as it would do with it?

Mr. Bell.—My view of the remark is that there is more likelihood of the rapid development of an industry that has fought its way up and made its mark rather than through protection. It is in a very much stronger position to attract capital from outside the country. If you have an industry whose only strength is protection, it does not naturally give the same confidence to foreign capital.

President.—Is it the view of the Chamber that the grant of protection to the extent asked for would do nothing to accelerate development in the manufacture of steel in India?

Mr. Bell.—What they say is that they don't agree that protection would facilitate its development. In other words they believe that the steel industry would be in a stronger position without protection.

President.—What is exactly meant by "stronger position." That is a truism in one sense because if it does not require protection, it would be stronger.

Mr. Bell.—So far as development is concerned.

President.—Let us go back to what the Fiscal Commission said: "If it is not likely to develop or is not likely to develop so rapidly as is desirable in the interests of the country." Is it your view that it might develop more rapidly in that case than is desirable in the interests of the country? You use the word "facilitate." I am not quite sure what is underlying that. The natural meaning I think is that the Chamber think that if protection were withheld, the steel industry would nevertheless develop just as rapidly as if protection were given. That is one possible meaning. I do not know whether that is the meaning.

Mr Bell.—You go rather far. The Chamber's idea is that the steel industry in India possesses every economic advantage, and, therefore, it should develop. It will be in a stronger position to develop and will be able to attract capital if it is unprotected in a way in which it cannot possibly do if protected. Here you have a thing that has everything and does not pay without protection. There must be some reason for that.

President.—Do you know of any country in Europe putting aside Great Britain, or Europe or Asia where the manufacture of steel has developed without protection?

Mr. Bell.—There has been no protection in Great Britain.

President.—I grant you that.

Mr. Bell.—There has been no protection in Great Britain. It has been very successful. It is better for the people of Great Britain. The people in America have to pay several times more for their steel.

President.—What exactly is the view of the Chamber? Perhaps I might read to you the last sentence of paragraph 6. "The Committee see no reason to apprehend that the steel industry will not develop on similar sound lines. Nor do they believe that its development in such circumstances will be unduly retarded." May I take that sentence with the other sentence "Nor do they agree that protection would facilitate its rapid development."

Mr. Bell.—I think that one can be read along with the other. Both arrive at the same conclusion. They say that the view of the Chamber of Commerce is that they see no reason to apprehend that the steel industry will not develop on similar sound lines—sound lines on which other industries having natural advantages have developed. That is the view of the Chamber.

President.—May I put it this way? I am anxious to get the thing cleared up. With protection the development might be more rapid, but without protection the development will be as rapid as is necessary and will be healthier. Would that be a fair summary on the views of the Chamber?

Mr. Bell.—I think that you might leave out the first and say that without protection development of the industry will be as rapid as is required.

President.—But still I want you to say "yes" or "no" to my question. Is it the view of the Chamber that steel manufacture will develop as rapidly without protection as with it?

Mr. Bell.—If you ask me what the Chamber think, I say that it does not come into the Chamber's statement. That will be a question of my personal opinion.

President.—This arises directly out of the sentences which we have been discussing. The Chamber have stated "Nor do they believe that its development in such circumstances will be unduly retarded." Now the question I put to you seems to me the natural meaning of those words, *viz.*, that in the opinion of the Chamber steel manufacture will develop as rapidly without protection as with it.

Mr. Bell.—That point does not arise. I am not in a position to say what the Chamber think between the two propositions that you have put. What I am prepared to say is what the Chamber do think and that is that it will develop sufficiently rapidly without protection.

President.—The Chamber would recognise no doubt that the case of steel manufacture differs a good deal from certain other manufactures, that is to say, in order to start at all you have got to start it on a big scale. Under modern conditions you cannot manufacture steel economically unless you manufacture a good deal of it. That has been put to us by various bodies in evidence. I do not know whether it is acceptable to the Chamber.

Mr. Bell.—I think I might accept that on behalf of the Chamber.

President.—Therefore, as the Chamber themselves recognise, starting new steel works means a very large capital. The Chamber rather dwell on that in paragraph 10 of their letter "Great financial resources are required to establish a steel manufacturing plant, and it is doubtful if capitalists would be willing to risk the uncertainty of the continuance of the duties at a high level." I quote this evidence in the Chamber's statement that they recognise that steel manufacture is not a thing that you can start a little bit in one year and a little bit in the next but you have to start right off on a big scale at the very beginning.

Mr. Bell.—It is in common with other things.

President.—Supposing the Tata Company, the only company manufacturing steel in India to-day, were obliged to cease manufacturing steel or could only continue it after a very drastic reconstruction, what do you think of the prospects of any other firm coming forward to engage in the manufacture of steel for at least 10 or 15 years?

Mr. Bell.—I think that there is no reason at all to suppose that they would not.

President.—Is there any reason to believe that they would?

Mr. Bell.—The reason that they would is that you have a country in which there is every natural advantage for starting an industry and, therefore, such an industry is likely to attract the attention of capitalists.

President.—Do you know that there were three firms besides the Tata Company who during the last five years contemplated the undertaking of the manufacture of steel in India?

Mr. Bell.—I did not know that there were three.

President.—The United Steel Corporation of Asia, the Indian Iron and Steel Company and Eastern Iron Company. We understand from the agents of the last named concern that the whole thing has been entirely dropped. The Indian Iron and Steel Company said that they never meant to start manufacturing steel at the outset and that it was only a possibility of the future. They also

said that they would be guided largely by the experience of the company already manufacturing steel. Unless there was protection, they would not even think of undertaking the manufacture of steel. Finally, the United Steel Corporation of Asia told us that in their opinion protection required would be 20 per cent. and they left us to understand that their proposition would not go on without protection. That is the evidence we have. If the Chamber have any other evidence bearing on the subject, they can bring it to our notice.

Mr. Bell.—The Chamber, so far as I know, have no evidence beyond the general fact that the thing would be likely to attract capitalists.

President.—It seems to me that there is no particular reason to look forward with confidence to the renewal or steel manufacture in India, if the first company goes under.

Mr. Bell.—I don't think that it follows that other companies would not be willing to undertake the manufacture of steel because one particular company had not been successful.

President.—All the evidence we have is from people who are directly connected with the thing and had made definite plans to a certain extent for the manufacture of steel. Their present attitude is that without protection they cannot even look at it. When the Chamber say that they do not believe that its development in such circumstances would be unduly retarded, one wonders how great the retardation is going to be.

Mr. Bell.—Any answer to that would be merely a suggestion which would be of no value.

President.—Then there is the further question—supposing the Tata Company were to cease to manufacture, would Indian capital again be forthcoming for the steel industry? It has been frequently said that one of the great difficulties in the way of the development of industries in India is the shyness of Indian capital, and I think that the Industrial Commission laid great stress on the necessity of inducing Indian capital to interest itself in industries.

Mr. Bell.—One cannot say that it would or would not. I don't see why Indian capitalists should not be able to recognise an attractive proposition as well as European capitalists.

President.—You must remember what the attitude of the Chamber is. This company will not be allowed to prove its case because it is only one company.

Mr. Bell.—If the new company proceeded without protection, nobody would ask them to prove their case.

President.—The question is whether anybody would think it worth while.

Mr. Bell.—You have got to prove a good deal if you want 33⅓ per cent. protection. If you can get on without protection, you have not got to prove anything to anybody.

President.—That is precisely the point. The question is, if this attempt broke down, whether the attempt would be renewed for the next 20 or 30 years.

Mr. Bell.—My personal opinion is of no value, but I think that it would. I cannot, of course, prove this.

President.—Is it the opinion of the Chamber?

Mr. Bell.—I think so.

President.—Perhaps it would be convenient at this point to go on to paragraph 10 which is to some extent connected with paragraph 9. In paragraph 10, the Chamber say: "One of the great advantages which it is claimed will follow the protection of steel is that not only will the existing steel industry benefit, but that new steel manufacturing companies will be established, and a very much larger industry developed, under the protection of the tariff wall. This may or may not be so, but the Committee of the Chamber regard it as problematical. It is obvious that any large scale

development will take years, nor will it be commenced until the success or otherwise of the protective tariff can be gauged." Even with protection, the Chamber is of opinion that no one will be willing to manufacture steel for another five years.

Mr. Bell.—If there is protection. They don't say that if there is no protection.

President.—May I take it that the view of the Chamber is that if there is no protection, it is quite likely that people will come forward and undertake the manufacture of steel, but if there is protection, they won't?

Mr. Bell.—That is not quite the point. If you have an industry that is dependent for its success on protection, it does not give capital the same confidence as an industry that has fought its way up on its own merits because you may withdraw protection at any time.

President.—In the opinion of the Chamber, protection is unnecessary?

Mr. Bell.—That is the opinion of the Chamber.

President.—I take it that they considered that their opinion would be shared by capitalists?

Mr. Bell.—That is the inference. It would be shared by capitalists.

President.—If he has got to start, it cannot do any harm. It would give him a bit extra?

Mr. Bell.—One is not looking for the good of the capitalist.

President.—As I read paragraph 10 it seems to me that the Chamber is of opinion that, even if protection is given people will be very slow to start steel works which might compete with Tatas. They would want to see how the experiment succeeded before they did anything, and they would be greatly affected by the risk of the tariff protection being withdrawn. It seems to me a fair inference from that, if that view is accepted, that without protection no firm would think of manufacturing steel at all, if it is going to be so difficult even with protection.

Mr. Bell.—If you are investing your money in an industry on its own merits you have a confidence that you do not have in investing in an industry which is supported by a tariff.

President.—But the merit remains the same whether protection is given or not. The proposition you put forward is that the natural advantages of India are so great that they will prove a sufficient incentive to Indian capitalists to put money into the steel industry without protection. I cannot reconcile that with the opinion expressed in paragraph 10.

Mr. Bell.—The industry would be more likely to attract capital other than Indian capital if it were not protected because of the uncertainty of the thing. If your proposition is that protection will do good provided it is continued for ever, and if you will undertake to have protection for ever, I dare say you will get capitalists who will take it up and make a lot out of it.

President.—After all it is not a very difficult question that I put forward. The Chamber have definitely said that they consider it extremely doubtful whether if protection be given other firms would come forward to undertake the manufacture of steel. The reason they give is that there would be the risk that a subsequent Assembly might depart from the opinion of the earlier Assembly and withdraw the protection. Surely the inference from that is that the protection is going to be material to the capitalist, and if there were no protection there would be no attraction to come into the industry at all.

Mr. Bell.—I do not think so because if you have a protected industry it is an industry in which there is more risk than in an unprotected industry.

President.—It is only a risk to extra profits. If the proposition is sound on its merits, you will make a fair rate of profit in any case. The protective duty will only affect your extra profit. It will only give you something more.

Mr. Bell.—For the time being it will, but if you are investing in a protected industry, in an industry which does not have the necessity for same economy and the necessity for same care of details as an unprotected industry, and if protection be withdrawn, in the case of a protected industry you are in a worse position than you would be in the case of an unprotected industry.

President.—That to some extent explains the view, but I must put it to you frankly that I am unable to reconcile paragraph 10 with the view that capital will be ready to come forward to engage in steel manufacture without protection. I cannot see how the two things hang together at all. At the opening of paragraph 7 the Chamber say " It is not easy to deal with condition (c) namely, that the industry must be one which will be able eventually to face world competition without protection, for once a protective duty is imposed it is impossible to forecast what the position will be if and when it is withdrawn." What they rather suggest in this paragraph is that if the protective duty once comes on it is likely to stay on for some time. I would like to draw your attention to an answer given by Sir Robert Watson Smyth when he was giving evidence before the Fiscal Commission on this point.

" *Question.*—Further, the mere fact that once a protective duty is put on, and there may be some difficulty in removing it, would not weigh with your Chamber in any way.

Answer.—That I cannot say, because that is a point that we have not considered. It was not raised, as it happened, at the discussion at the Chamber.

Question.—What is your personal view? Would it be fair to take the prospective view into consideration; if you really felt that an industry required protection, you would not consider whether hereafter it may be difficult to remove that protection.

Answer.—I do not think so. We should always hope for the best."

I rather gather that the Chamber is not at present in doubt very much.

Mr. Bell.—The Chamber's view is quite clearly expressed here. At the present time the Chamber has nothing to do with Sir Robert Watson Smyth's evidence before the Fiscal Commission.

President.—He was giving evidence on behalf of the Chamber, but I quite admit that in that particular answer he was speaking rather for himself than for the Chamber.

Mr. Bell.—At any rate this is the view of the Chamber now.

President.—Then you say that the proposal is that it should be imposed at the rate of 33⅓ per cent. for a period of five years. I think that is the form in which the Tata Company put it in their letter to the Government of India in October 1922, but their present attitude, I think, you will find at the end of the oral evidence we took at Jamshedpur. Mr. Peterson then said: " In granting protection for the development of the steel industry it must be understood that this is the aim of the policy and so long as that aim is to be fulfilled protection will be maintained. Obviously no manufacturer will start if he knows that protection will be removed in, say, 5 years as he will know that we cannot manufacture on a large scale within that period." So it is clear from that whatever the attitude was in October 1922, what they ask for now is not limited to any specific period of years.

Mr. Bell.—The Chamber consider that once a tariff is put on it is extraordinarily difficult to take it off.

President.—In the same paragraph you go on to condition (d), *i.e.*, that any industry which is essential for the purposes of national defence and for which the conditions in India are not unfavourable should be, if necessary, adequately protected irrespective of the foregoing conditions. The Chamber say that " India should be made as quickly as possible more self-supporting than she is now in respect of manufactured goods essential for the purposes

of defence is a proposition to which the Chamber has assented on more than one occasion during and since the war. The Committee again endorse the proposition, but they are unable to see how the end in view will be attained by the levy of a protective duty on steel." At the beginning of paragraph 8 they say: "This is exactly the reason why the Chamber takes up a strong attitude against a protective duty on steel," and they go on to consider the question of bounties. Further they say at the end of paragraph 8 "it could not be seriously suggested that a Government reduced to such financial straits should be asked to consider the possibility of undertaking the heavy burden of subsidising a particular industry at the expense of the general tax-payer." At the beginning of paragraph 9 they say "if bounties are thus ruled out by practical considerations there remains only the question of protective duties." Is it the view of the Chamber that as bounties cost too much and protective duties are open to the objections represented in the letter that Government should do nothing at all?

Mr. Bell.—I think the attitude of the Chamber is that the position has not yet arisen in which Government should do anything: it has not been shown to Government that the steel industry cannot carry on without protection and therefore the question of protecting or helping it either by a protective tariff or bounties cannot be decided or does not arise.

President.—But are the Chamber entitled to express that opinion without considering the evidence that has been given?

Mr. Bell.—It is rather the other way about. The Chamber are not satisfied from the evidence that has been given that it cannot be carried on in any other way.

President.—If they are speaking with reference to the evidence that we have published, is it not fair to the Board that the Chamber should indicate the particular portion of the evidence which led them to the conclusion?

Mr. Bell.—I think it is a general question. It is not a question of any particular argument. The Chamber believe that this industry can be carried on without any protection at all, and, therefore, they are not prepared to accept the fact that protection is needed because there has been one unfortunate experiment. They have got to look at the other side and see what is to happen if this industry is protected: they have got to look at the number of people who will have an additional burden put on them They consider, therefore, that it is not desirable.

President.—It is desirable to consider these questions. One might come to the conclusion that protection for steel is desirable but it costs too much, that is to say, it is going to inflict injuries on other industries and on the balance it is not desirable. But surely the question whether protection is necessary in order to carry on the manufacture of steel is a different one?

Mr. Bell.—Of course, you cannot dissociate one entirely from the other. If you think that a particular industry requires assistance you must consider where the money is to come from.

President.—The primary question is: "Is it required?" I understand that you have told us just now that the opinion of the Chamber is that it is not required. But when I suggested that, if so, it is fair for the Board to ask that their attention should be drawn to the evidence on which the Chamber based their opinion, your reply was that it was not a particular question but a general argument.

Mr. Bell.—The general impression of the Chamber is that conditions are such that the industry can be carried on without protection.

President.—The general impressions of the Chamber are not of any great value to the Board. This question is surely a question of evidence. Surely the question of whether protection is required or not is a question which can be settled by the evidence.

Mr. Bell.—The Chamber consider that it has not been settled.

President.—But are they not prepared to make any reference to the evidence that has been taken on that side?

Mr. Bell.—I am not prepared at the moment to do so.

President.—It is not a personal question: it is a question as to the views of the Chamber.

Mr. Bell.—I am in the difficult position of representing 250 people and am therefore unable to put in individual views.

President.—Returning to paragraph 7, I do not quite follow this "that India should be made as quickly as possible more self-supporting than she is now in respect of manufactured goods essential for purposes of defence is a proposition to which the Chamber has assented on more than one occasion during and since the war. The Committee again endorses the proposition but they are unable to see how the end of the view will be attained by a protective duty on steel."

Mr. Bell.—That follows from the previous statement that sufficiently rapid development could be attained without a heavy protective tariff and natural development will not impose the disabilities which protection will.

President.—So it comes to this: that the increase in the tariff duty will have no effect at all in encouraging the manufacture of steel. That is the view of the Chamber?

Mr. Bell.—It is unnecessary.

President.—The end to be attained is "that India should be made as quickly as possible more self-supporting than she is now in respect of manufactured goods essential for the purposes of defence." That is the end to be attained but the Committee of the Chamber "are unable to see how the end in view will be attained by the levy of a protective duty on steel." That is to say, a protective duty on steel, in their opinion, will not expedite matters at all. It will have no effect.

Mr. Bell.—It will have an adverse effect on other businesses.

President.—What are the things you are thinking of?

Mr. Bell.—Articles of defence or anything that is manufactured, we will say, in an engineering company. If you put on a higher duty on steel it makes it more difficult for such a company to carry on its business in competition with the rest of the world and to that extent it rather retards the object you have in view.

President.—You refer to the effect on the engineering industry to a large extent, but what they were considering at the moment was the duty on raw steel only.

Mr. Bell.—Their attitude is that you could not have it on raw steel only.

President.—I think you go on to recognise that in a subsequent paragraph.

Mr. Bell.—Yes.

President.—Supposing assistance were also given to the engineering industries and the scope of the proposals enlarged in that way, would the Chamber still be unable to see how the end in view could be attained with the levy of a protective duty?

Mr. Bell.—I do not know if I am right in answering that question on behalf of the Chamber as that has not arisen.

President.—I do not wish to press if you feel you are not authorised to give an answer to it. What was mainly in the mind of the Chamber was the additional duty on raw steel and they were not so much thinking at that time of the possible extension to fabricated material?

Mr. Bell.—I am not prepared to say that. I should discuss that with them before saying that they did not think of it.

President.—My difficulty is this: assuming that fabricated steel comes into it too, it is not obvious why the protective duty should not help towards the more rapid production of military essentials in India unless, of course, it is going to be wholly ineffective.

Mr. Bell.—It may produce no effect at all.

President.—The view of the Chamber is that, even supposing protective duty were imposed, capitalists would not be much influenced by it because they would be under the apprehension that a subsequent Assembly would be likely to take it off.

Mr. Bell.—That would affect their view.

President.—That may be so, but it is hardly consistent with the other line that once the duty comes on it will never go off again.

Mr. Bell.—They are, of course, two different points of view.

President.—I think so and I think you have got to choose which line of argument you are going to adopt and stick to it.

Mr. Bell.—They are entirely two different opinions. In the one you are dealing with the effect of protective duty on an industry. An industry which is built up on protective duty becomes dependent on it and, therefore, the tendency is from the point of view of that industry to depend entirely on it and not to be able to do without it. On the other hand, the question of capitalists having confidence in a protected industry is simply a matter of the degree of confidence with which they are coming into it. They might say that once you put a duty it is very difficult to take it off and it may always be there but others might say it was not safe to depend upon it and there would be an element of uncertainty.

President.—Look to the history of tariff. Has there been any reluctance on the part of capitalists in America and Germany? Why should things be difficult in India?

Mr. Bell.—America does not depend on England for capital.

President.—But you are assuming that capital is coming from England.

Mr. Bell.—One can take the experience up till now.

Mr. Ginwala.—It has not been so in the case of the steel industry.

Mr. Bell.—A very large proportion has come from India but the recent loans have been floated in England.

President.—I think the English sterling capital is a debenture loan, but all the shares were subscribed in India.

Mr. Bell.—I have no figures to go into the quantity of English capital held in Tatas but at any rate the element of uncertainty would affect both the Indian investor and the European.

President.—On the question of capital you refer to it again in paragraph 11. You say " As has already been indicated, enormous capital will be necessary to develop the Indian steel industry to such an extent as to enable it to supply the needs of the country. And it is doubtful, the Committee of the Chamber think, if this capital can be raised in India. If not, the Indian steel industry will have to look to Great Britain and to foreign countries for capital. But it may be assumed that these countries will be feeling the effects of the protective tariff, and they may not be willing to provide money for the further extension of the Indian steel industry." The suggestion there is that under a feeling of resentment caused by the protective duty capitalists would refuse to put money on Indian industry.

Mr. Bell.—I would be inclined to withdraw that portion.

President.—The latter part of the letter is mainly occupied with the discussion of the effect which a protective duty on steel might have on coal, on railway transport and on industries generally. I have not a great many questions to ask about that. It is not that the Board under-rates the importance of that aspect of the subject. It is quite obvious that any increase in the duty on steel would affect all industries and impose in one way or another a burden on the country. What we are chiefly anxious to ascertain is just what the burden is going to amount to. We have tried to ascertain the fact about the railways and we wrote to the Indian Mining Association and asked for their opinion on the question, but they said they did not propose to give evidence. I gather now from your letter that they have altered their views and they will send us their representation.

Mr. Bell.—That is what I understand.

President.—Have the Chamber any definite information?

Mr. Bell.—So far as I know the Chamber have no definite information.

President.—It is very important: if they have anything to say they should say it. Our enquiry is not going on indefinitely. If they do not hurry up they will miss their mark. We have received a letter from the Jute Association. As regards tea can you give us any information as to what they are going to do?

Mr. Bell.—I rather think—we have not heard from them yet—that the Tea industry is not going to give evidence at all.

President.—There are one or two points in the later paragraphs that I would like to ask questions about. In paragraph 15 you say that the customs revenue arising from protective duty will have a tendency to shrink and if the tariff really becomes successful it will largely, if not entirely, disappear. The railway losses will then have to be borne by the railways themselves. The view of the Chamber is that the tariff is not going to have the desired effect, so in that case revenue will not shrink?

Mr. Bell.—That is going to two extremes. There is no doubt that if the tariff had effect of preventing imports that result would happen.

President.—I am not in any way complaining of the statement itself but the only persons who are not entitled to put forward this argument are the Bengal Chamber of Commerce, because they say that the tariff will have no effect at all.

Mr. Bell.—I don't think you are fair to the Chamber in saying that they say that it would have no effect at all. We say that it is unnecessary.

President.—I am putting it a little bit strongly.

Mr. Bell.—I should say so. All we have said is that it is unnecessary.

President.—In the argument in paragraph 16 a point is taken which has been put before us by Mr. Pilcher, and then again by some witness in Bombay, as to the effect which the protection of steel might have by reducing imports into India and in consequence exports from India. What was suggested was that the result would be injurious to agriculture because cultivators would not be able to sell their grains abroad. Now we have to take into account what has been said already about the fact that, if the manufacture of steel grows at all, it has got to grow by big jumps. The Tata Iron and Steel Company started with a production of less than 100,000 tons and they are about to go up to 400,000 tons, Messrs. Bird & Co. propose to start, if they start at all, with about 140,000 tons which will go up to 450,000 tons, and apparently progress of that kind by big steps is inevitable. If the Chamber are right in believing that the industry will develop quite as well without protection as with it, these big steps are going to be taken in any case whether protection is given or not, and therefore the injurious effect on agriculture will be produced in any case.

Mr. Bell.—That is quite wrong.

President.—Why wrong?

Mr. Bell.—Because, if the industry grows naturally and is not protected, the prices charged to agricultural labourers and others for the implements and things that are referred to here will be smaller. What we say here is that the result of protection will be that industries will have to pay a very much higher rate.

President.—That is not what I am referring to at all. You say "If the levy of protective duties on steel is successful, and the importation of foreign steel is largely restricted, it is not unreasonable to apprehend a disturbance in the balance of trade. Admittedly agriculture provides the means whereby India pays for her imports. And if imports are restricted by protection the value of this medium of payment will of necessity decline. A reduction of imports means an increase in the balance of trade in India's favour; and

a consequent rise in the sterling value of the rupee." My point is that that is inevitable if the manufacture of steel develops, and it has got to happen suddenly because you cannot increase your production by 10,000 tons a year. You have got to go in big jumps, about 100,000 tons or so at a time. The argument is really an argument against the development of industries in India at all.

Mr. Bell.—Not against natural development. So long as you have no protective duty you bring in your steel from outside at a keen competitive price but the moment you have protective duty you limit that: you make it more difficult.

President.—That means that your steel manufacture will fail?

Mr. Bell.—Not necessarily. The demand will ordinarily increase and if you have the manufacture of steel naturally in competition with outside steel it will tend to reduce the prices of both to a reasonable level.

President.—I admit that part of the development of the industry might be obtained by an increase in consumption, but undoubtedly a very considerable part of it must be at the expense of the importations from abroad.

Mr. Bell.—But all the pig iron that is produced in India is not used in India and it does not necessarily follow that all the steel produced in India will be used in India.

President.—Export might also develop under protection. Perhaps under protection they would have an advantage because they would be able to dump with greater ease.

Mr. Bell.—That is quite true. They will be in a position to dump under protection, but it is not desirable. What is the result in America of dumping? It means that they pay 3 times as much as what other countries pay. Perhaps you are not using the possibility of dumping as one of your arguments in favour of protection. What is the result of dumping? Do you want the residents in India to pay 3 times what they pay in Japan or Austria or in other countries?

President.—The manufacturer of pig iron to-day is prepared to accept a lower price from the foreign buyer than from the Indian buyer. However that is purely a side issue.

Mr. Ginwala.—Have you got any authentic account now of the proceedings of the Associated Chambers of Commerce in Bombay? Does any official record exist as to what took place there?

Mr. Bell.—There will be a record, but there has been no meeting since then.

Mr. Ginwala.—I am not able to follow what took place. No doubt you have followed the proceedings and you would be able to say. As far as I can gather Sir Edgar Holberton moved a resolution which stood against his name: "This Association strongly disapproves of the proposed protective tariff in favour of the steel industry as imposing an intolerable burden on other industries and indirectly on the public generally." Afterwards this resolution was amended. Was this amendment the one that was moved, namely, "If after the fullest examination by the Tariff Board and Government it is found that without some form of assistance the steel industry is in jeopardy, this Association would admit the necessity for the grant of bounties." Did Sir Edgar Holberton accept that?

Mr. Bell.—Yes, Sir Edgar Holberton accepted that condition. That has not been reported to the Committee yet and I do not know what attitude they will have in regard to it.

Mr. Ginwala.—Have you read the evidence that Sir Robert Watson Smyth gave before the Fiscal Commission?

Mr. Bell.—I am afraid I have not.

Mr. Ginwala.—The Chamber in my opinion seem to have considerably shifted their position since he gave evidence before the Fiscal Commission,

and I wanted to know what reasons the Chamber had for doing so. It was really the Chamber's evidence.

President.—Apart from that there was a letter written to the Indian Fiscal Commission by the Secretary which was, of course, the basis of Sir Robert Watson Smyth's evidence.

Mr. Ginwala.—There was reference made to this letter. The position the Chamber appear to have taken up then was briefly this, that they were neither protectionists nor free traders, but that they could conceive cases in which, if certain conditions were fulfilled, protection might be given to an industry. The conditions were two: (1) that the industry was a suitable one for India, and (2) that it could not get on without protection. That is the summary of the proposals. This question was expressly put to Sir Robert Watson Smyth by the President and he said—the question was "If you agree that this is to the national interest of India and its successful development, you would have no objection to giving State assistance?" and the answer he gave was "It will have to be very carefully proved first of all that the industry is suitable to the country and secondly that it could not properly be developed without protection." Don't you think the Chamber is rather going away from that position?

Mr. Bell.—I think there is nothing in what they have said that goes away from the position. They practically admit (*a*) · it is a suitable industry, but what they say is that they are not satisfied that it requires protection.

Mr. Ginwala.—They go on now to elaborate the objection from the consumers' point of view, and what burden protection would throw upon the consumer, and that is an aspect of the question they never referred to right through in their earlier statement of the case.

Mr. Bell.—Yes.

Mr. Ginwala.—To that extent don't you think the Chamber has somewhat modified its position?

Mr. Bell.—I don't think you can say that. Greater light has been thrown on the subject, and probably people do look at it to a greater extent from the consumer's point of view than the manufacturer's view.

Mr. Ginwala.—That is true. Of course, it is our duty to look at it from the consumer's point of view, but the Chamber having conceded the point that protection should be given if the industry fulfilled the conditions laid down by itself, did not they also imply that the burden of the consumer was one which the Chamber was prepared to accept as inevitable?

Mr. Bell.—In that particular industry there would be undoubtedly.

Mr. Ginwala.—That is what I mean.

Mr. Bell.—Wherever you have protection there is a certain amount of burden.

Mr. Ginwala.—But according to the evidence they gave then they would give protection if certain conditions were fulfilled in spite of that fact?

Mr. Bell.—That letter undoubtedly says so and I don't think that you can reconcile that with what they have said in their later statement.

Mr. Ginwala.—They have now imported a new aspect into the considera tion of the question which was certainly not present in their mind at that time, in my opinion.

Mr. Bell.—Because circumstances have altered very much and the point of view of the consumer has been pressed in a great many ways before the Chamber since that time.

Mr. Ginwala.—The Chamber's main contention is that the steel industry is not, in their opinion, an industry which, in view of the conditions prescribed by the Fiscal Commission, should be protected. In other words, in their opinion that industry has not fulfilled these conditions.

Mr. Bell.—That is the view of the Chambers of Commerce.

Mr. Ginwala.—These conditions are chiefly four?

Mr. Bell.—Yes.

Mr. Ginwala.—With regard to the first condition I think you have conceded that the Chamber did not want to imply that that condition was not fulfilled, but that the condition was fulfilled subject to certain modifications?

Mr. Bell.—Yes.

Mr. Ginwala.—With regard to these modifications I think the Chamber set them out under some misapprehension as I shall point out to you presently. For instance, they refer to the increased cost of coal and they state that "the increased cost of coal is stated by the Tata Iron and Steel Company, Limited, to be one of the difficulties against which they have to contend." The Tata Iron and Steel Company have not said that the general position as regards coal has changed in the sense in which the Fiscal Commission referred to coal. What they had to explain to us and to the Government of India was that their cost of production had gone up and they said that it had gone up because the price of coal had gone up, but that did not mean that there was any objection on the ground that this cheap power was no longer available.

Mr. Bell.—In that case that contention will have to be washed out.

Mr. Ginwala.—Then, with regard to these other things, say labour. The Chamber say "The supply of labour ought also to be sufficient but it will be expensive. In fact the cost of labour is another of the difficulties of which the Iron and Steel Company complain." There also I think the position is a little different. As you know there has been a general rise in the cost of labour.

Mr. Bell.—That is so.

Mr. Ginwala.—In explaining the increase in the cost of production the Tata Iron and Steel Company pointed out, as is pointed out by all other manufacturers, that labour had gone up but there was no complaint, as far as I remember, that there was any permanent difficulty in the way of labour.

Mr. Bell.—That is in the same category as the other. We admit the general principle and just merely point out these things in passing and do not lay any stress on them at all. We merely point these out in case we might be criticized for admitting that point right away as if this has been done with any consideration.

Mr. Ginwala.—With regard to the second condition—that is really where the trouble comes in—I think there is much difference of opinion. The condition is "that it must be one which, without the help of protection, is not likely to develop at all, or is not likely to develop so rapidly as is desirable in the interests of the country." Well, the opinion of the Chamber is that the steel industry can exist without protection?

Mr. Bell.—That is so.

Mr. Ginwala.—But the Chamber do not enlighten us as to its reasons for thinking so. If the Chamber have got any evidence or any reason which makes them think that the steel industry can exist, we should only be too glad to have them.

Mr. Bell.—I have dealt with them in a general way and I do not know that one can detail any more the natural advantages which the steel industry enjoys in India. You are shipping manganese ore to other parts of the world and the people who use it have got to pay freight on it while you have it at your door.

Mr. Ginwala.—Let me put it this way: We are trying to find out whether the steel industry can or cannot exist without protection. Well, we have taken evidence from all possible sources that were available and most of the evidence from those who claimed to have studied the question in some detail rather points to the probability that though these advantages do exist in favour of the steel industry, yet at present the industry cannot get on without protection, while the Chamber says it can, but gives no reasons.

Mr. Bell.—These are rather economic reasons: they are accepted by everyone.

Mr. Ginwala.—If in spite of these favourable conditions it is proved that the industry cannot exist at present against foreign competition and if we as a Board are satisfied that that is so, what would be the position of the Chamber?

Mr. Bell.—We simply differ from you, that is all. We think before you try to rectify by imposing a tariff you should find out what is the reason why an industry which enjoys every natural advantage is not successful.

Mr. Ginwala.—But we want to be enlightened by the Chamber why it cannot exist?

Mr. Bell.—The Chamber have not been asked to go into it.

President.—We sent you copies of all these and asked you for the observations of the Chamber on them.

Mr. Bell.—That brings in a personal question which the Chamber wish to avoid.

Mr. Ginwala.—You are here in the interest of the public to help us as much as you can and so are we here appointed by Government to examine this question and if every witness whom we can reasonably expect to assist us says that this is too unpleasant for him, are we not handicapped in our enquiry?

Mr. Bell.—The enquiry into the particular business you refer to would be such that it would be impossible to carry out unless the movement came from Government. We could not suggest, no individuals could suggest—it would be a sheer impertinence to suggest—an enquiry of that sort into the present steel manufacturing business.

Mr. Ginwala.—That is precisely what we are trying to do.

Mr. Bell.—I personally would not care to embark on any criticism of what has been done. There are only very few people who have the information and knowledge to do that.

Mr. Ginwala.—We have placed, and we are ready to place, before you all the materials that are before us. Don't you think that it would be reasonable on our part to expect that an influential Chamber like the Bengal Chamber would come forward and assist us in this particular direction where we require its assistance most? Is it nice of the Chamber to leave the matter at that and say that it is not satisfied and that it will not come forward and examine these figures of cost and give us an opinion? Is it fair?

Mr. Bell.—The examination would have to be of a kind that the Chamber could not suggest. They would not simply examine the figures given.

Mr. Ginwala.—What the Board feel in this respect is this. One of the most important questions that we are enquiring into at the present moment is the cost of production of steel in this country on which practically all our recommendations hinge. We are collecting all the materials to find out whether the steel industry is properly organised, whether it was conducted on economical lines and whether the costs are reasonable or not. We want assistance from persons like you and others who have business knowledge. We want you to test these figures that are put before us but you say that you are not in a position to do that.

Mr. Bell.—I am certainly not.

Mr. Ginwala.—There are certain suggestions made in paragraph 6. You say "It may be that without protection existing undertakings which were started and partially developed under abnormal conditions may need to be more or less re-constructed", and this refers to the only existing steel undertaking.

Mr. Bell.—Yes.

Mr. Ginwala.—What does the Chamber mean by "undertakings which were started and partially developed under abnormal conditions"? When the steel industry was started, the conditions were not particularly abnormal.

Mr. Bell.—It has been developed under abnormal conditions.

Mr. Ginwala.—Such as what?

Mr. Bell.—They had to buy everything which they wanted for development at enormous rates which do not obtain now. If you take any one particular piece of machinery which they bought in 1919, you would probably find that you could get the same thing now for half the price. That is what one means by "partially developed under abnormal conditions." It was not their fault that they had to do that. To develop they had to buy.

Mr. Ginwala.—There are two things in this industry as it exists at present. They have got, what is called the "old block," which was started in 1912. Then, they have what are called "the Greater Extensions," which have not come into operation fully yet. Now your argument can only apply to the second part of the undertaking, that is, the Greater Extensions. Supposing we lay aside the Greater Extensions for the moment and we concentrate on the position of the Company on the basis of their old block and if it is found that there was no extravagance in the construction of the plant............

Mr. Bell.—I do not suggest extravagance at all. If I had to pay Rs. 1,000 in 1919 for something which costs now Rs. 500, I should not call that extravagance.

Mr. Ginwala.—I am leaving out of account the "Greater Extensions."

Mr. Bell.—Particularly I do not want to suggest that there has been any extravagance.

Mr. Ginwala.—We take into account, for instance, the steel industry as it was organised and started in 1913. This argument of "abnormal conditions and reconstruction" does not apply to that part of the industry because things were not so bad in 1913.

Mr. Bell.—We would rapidly get to the stage when we were paying very much more. In 1914-15 freights were soaring up. That is one thing. The cost of everything had gone up. Of course, to anything that was actually down on the site and working in 1913, my argument would not apply.

President.—I should like to point out that in all probability they could have been working in 1915 with what was imported in 1913 or 1914, so that the pre-war works so to speak may include expenditure running on to the war years.

Mr. Bell.—Quite possible.

Mr. Ginwala.—But the point is that the Greater Extensions were not even contemplated until after 1915, so that the present producing plant, or at least most of it, was in operation before the war.

Mr. Bell.—Yes.

Mr. Ginwala.—To that part of the plant, can the objection of the Chamber apply?

Mr. Bell.—To anything that was is existence before the war the Chamber's remark will not apply.

Mr. Ginwala.—Only taking that into account and excluding all the post-war alterations and extensions, if the Board is satisfied that even with the old plant the industry cannot get on without protection, what is the Board to do?

Mr. Bell.—There are other questions that arise besides the cost of the mere plant about which the Board would have to satisfy itself.

Mr. Ginwala.—I am trying to understand this part of the argument about reconstruction and things done under abnormal conditions. I am rather anxious that this point should be borne in mind by witnesses generally that there are two aspects of the question: that is, the pre-war plant and the

other—the post-war plant. We are not for the moment going into the post-war plant. I am taking only the pre-war plant. If the Board is satisfied after a very careful consideration so far as the pre-war plant is concerned, that the industry cannot get on without some assistance, will the Chamber still object?

Mr. Bell.—That is one point. There will be many others for examination.

Mr. Ginwala.—Will the Chamber modify this part of the argument?

Mr. Bell.—That particular point which refers to renewals and extensions of the plant does not apply here.

Mr. Ginwala.—That is what I wish to find out. The Chamber will not press that argument?

Mr. Bell.—It obviously cannot.

Mr. Ginwala.—With regard to reconstruction: what does the Chamber mean by that?

Mr. Bell.—It means writing down capital. If I have raised capital and put up a mill in 1919 which is far in excess of the present market value, I must make up my mind that I have lost the difference. If the original capital was £1 million and the present value of the plant, etc., is £500,000, I have lost the difference and I reconstruct my company on the basis of a capital of £500,000.

Mr Ginwala.—Would it not be the same thing if you said "Our plant was worth £2 millions and it is now worth £1 million. Instead of 10 per cent., we are satisfied with 5 per cent. return?" Does not that come to the same thing?

Mr. Bell.—The usual way is to reconstruct.

Mr. Ginwala.—Would it not in substance amount to the same thing?

Mr. Bell.—In a way it would, but there would be trouble with auditors at the end of the year. You would have to say what you did with so much capital.

Mr. Ginwala.—I will let the capital remain at that and tell my shareholders that they should be satisfied with half the amount of dividend.

Mr. Bell.—On the one hand you have your capital as a million, and on the other hand you have your plant worth £500,000. If you say that it is worth £1,000,000, you are putting in a statement which is untrue.

Mr. Ginwala.—I do not say that it is worth one million pounds. You are the owner of a lot of ships and other things. It is a case in which part of the block is pre-war block. On the assumption that it is kept up to date in the revaluation of the whole concern, would not you allow a reasonable increase over pre-war rates in estimating its post-war value?

Mr. Bell.—No. If it has been going off since pre-war, it must have considerably depreciated.

Mr. Ginwala.—Assuming that it is kept up to date.

Mr. Bell.—I should exercise great care in writing up any plant that is ten years old.

Mr. Ginwala.—There may be a lot of other property, like land, which does not necessarily depreciate but may appreciate.

Mr. Bell.—Land may appreciate in 10 years but machinery does not.

Mr. Ginwala.—Won't such property as have appreciated be given a higher value?

Mr. Bell.—If you have written down everything that has depreciated, it would only be fair to make a reasonable allowance for what has appreciated. I would, of course, exclude anything in the way of machinery. I would certainly not dream of putting a steamer which is 10 years old down at higher than cost.

Mr. Mather.—You could have sold in 1919 your steamer for a very big sum.

Mr. Bell.—It would be a very wrong thing to put in the valuation at what it was 5 years ago.

Mr. Ginwala.—The third condition is more a matter of argument but the fourth condition is that any industry which is essential for the purpose of national defence should, if necessary, be adequately protected. Do you regard the steel industry as an industry of national importance?

Mr. Bell.—Yes, it is.

Mr. Ginwala.—If you refer back to paragraph 4, you will see how the condition is worded. "If an industry is essential for the purpose of national defence, it should be protected apart from the three foregoing conditions. Should steel be protected on that ground apart from economic questions?"

Mr. Bell.—It would only be justifiable if you are able to prove that the steel industry could not exist without protection.

President.—We are travelling in a circle.

Mr. Ginwala.—The condition is: "That any industry which is essential for the purpose of national defence and for which the conditions in India are not unfavourable should be, if necessary, adequately protected irrespective of the foregoing three conditions."

Mr. Bell.—I agree, *if necessary.*

President.—One cannot argue unless we take point by point and assume. There are three conditions laid down one of which is that the industry cannot get on without protection. The Fiscal Commission say that in the case of an industry essential for the purpose of national defence, even if that condition is not fulfilled, it ought to get protection.

Mr. Bell.—The Chamber of Commerce believe that it does not require protection and that being so should not get protection.

President.—Even if it is essential for the purpose of national defence?

Mr. Bell.—You assume that it would not exist for national defence, if it were not protected. We do not admit that.

Mr. Ginwala.—The Fiscal Commission laid down certain conditions which you yourself set out. According to those conditions if an industry is essential for national defence, if necessary, it should be protected apart from the other three conditions. Do you agree to that proposition?

Mr. Bell.—If you mean by that that the steel industry should be protected, I say that it should not. I think that the words "if necessary" indicate that it should be protected, if necessary. We could never look at it from the same point of view.

Mr. Ginwala.—What would you say if other conditions justify protection?

Mr. Bell.—I know of no conditions which would justify protection to steel. If I am to speak for the Chamber of Commerce, they say that it can be profitably and successfully run without protection.

Mr. Ginwala.—The Chamber of Commerce do not discuss their reasons?

Mr. Bell.—They have given reasons.

Mr. Ginwala.—I think that the Chamber's position appears to be this: that no steel industry ought to be started in this country unless it can stand on its own legs.

Mr. Bell.—The Chamber's attention was called to the steel industry and they say that they believe that the steel industry can stand on its own legs. The Chamber have not been asked about any other industry. No industry should be started unless it can stand on its own legs. I say that it is economically unsound. At the same time there might be some reasons not before the Chamber which might show that it ought to be.

Mr. Ginwala.—Do the Chamber say that the industry in its present form in this country can exist without protection?

Mr. Bell.—It is obvious from the Chamber's written statement.

Mr. Ginwala.—What I understood you to say was this: that the industry as represented by the Tata firm might not be able to exist but that the industry, as a whole, would exist.

Mr. Bell.—The industry is so favourably situated in India that it should exist and can exist without protection and the Chamber would only alter their opinion if they could get reliable evidence which it could not and they would require, as I have said, more than the isolated experience of one firm.

President.—That postpones the question. According to your own showing for another 12 years there cannot even be a second firm.

Mr. Ginwala.—Tata's case is this: that the industry cannot exist without protection and you say that it can.

Mr. Bell.—We believe that it can.

Mr. Ginwala.—Supposing we accept your view and say "you cannot have protection" and if the industry goes under, do you still think that new capital will come forward to start the industry afresh?

Mr. Bell.—There is no reason why capital should not come forward. Capital has been attracted to industries in India which have gone under. At one time the jute industry was in a very bad position and capital has come. I believe that the tea industry was also at one time in a very bad financial position.

Mr. Ginwala.—The steel industry is a very big industry and the capital invested in it is much bigger than in jute or tea.

Mr. Bell.—Because one experiment has not been successful, it does not follow that capital will not come in.

Mr. Ginwala.—Is it your considered opinion that, if the existing steel industry goes under, new capital would come in and that the industry would be revived?

Mr. Bell.—If the present company goes under—I don't think that it will—I believe that other companies will come and take its place. The industry would not disappear. There will be others willing to take it up.

Mr. Ginwala.—The people who started the industry will suffer the most in the first instance.

Mr. Bell.—If for any reason the industry goes under—I hope that it will not—it would not mean that no others will take it up.

Mr. Ginwala.—That is just the point. Is it in the interests of industries generally in this country that those persons who start an industry must come to grief and that other persons must restart the industry?

Mr. Bell.—That rather opens up a question which is not inside the discussion at all. You are now talking of individuals.

Mr. Ginwala.—I am talking of the steel industry.

Mr. Bell.—Your question applies entirely to individuals. There are always individuals who stand to lose money in an industry. You cannot possibly say that because a certain set of individuals come into an industry and lose money, other individuals who take on that industry will have the same experience. Take any big industry in India and you will find this. I could pick out cases in connection with certain Indian industries. You will probably say that these industries could not exist without protection.

Mr. Ginwala.—I simply wanted to know your opinion, because it has been put to us by some people who are in business that it would be a great set-back to industries, as a whole, in this country if the steel industry ceased to exist. You do not share that view?

Mr. Bell.—I do not share that view and at the same time I should hope that occasion will not arise to test it.

Mr. Ginwala.—You are talking of competition in the steel industry. Perhaps you have realised that in order that the steel industry can at all do well in any country at the present day it should have a fairly big output.

Mr. Bell.—I should imagine that. I have no special experience.

Mr. Ginwala.—On the assumption that India's demand does not increase there is hardly room for more than two or three manufacturing firms in the whole of India.

Mr. Bell.—What follows from that?

Mr. Ginwala.—In the case of the steel industry it seems inevitable, whether under Free Trade or whether under Protection, that there will be only two or three works going at the same time, unless the demand for steel increases rapidly.

Mr. Bell.—Personally, I would be inclined to think that you are right but it does not follow.

Mr. Ginwala.—The total demand of India we may assume as 1 million tons, and we have been told that the smallest economic unit under modern conditions is 400,000 tons. If this is so, there would be only room for two or three plants.

Mr. Bell.—You have not taken into account the possible export trade. You are in a more advantageous position as regards export trade than other countries.

Mr. Ginwala.—Before you reach that stage you have to meet the demand of the country.

Mr. Bell.—You say it is very easily met: if you meet it very easily you will come to the exporting stage.

Mr. Ginwala.—You can hardly stop combination, either in a Free Trade or protected country, except by legislation.

Mr. Bell.—I do not follow your point.

President.—Mr. Ginwala is referring to the possibility of combinations referred to in paragraph 12 of your letter.

Mr. Ginwala.—As the industry is situated in this country the chance of combination does appear to exist?

Mr. Bell.—It is an entirely different position. If you have a combination under Free Trade you have got to compete with your foreign competitor. You have a check by the fact that under free trade if you combined and charged a higher rate for your steel the merchant goes elsewhere for it. He cannot do that if you have protection. If you are under protection, you raise your price until you are just below the cost of steel which comes into India from outside.

Mr. Ginwala.—With regard to coal I would like to ask you one question. Your contention is that the price of coal will go up?

Mr. Bell.—If you have protection it will, in common with the prices of other things.

Mr. Ginwala.—Would this necessarily be the result?

Mr. Bell.—I think that the price of everything will go up. When you speak of the effect of protection on coal, it is not only the rise in the cost of raising coal, but also freight and everything else which will go up.

Mr. Ginwala.—The existence of a steel industry makes a very great demand on the coal industry and ordinarily speaking the greater the demand and the greater the output the cheaper the cost of raising coal.

Mr. Bell.—I do not know that that entirely follows. The "greater the demand you have for anything" does not mean that the price will go down.

Mr. Ginwala.—The greater the demand, the greater the output and therefore the cheaper the cost.

Mr. Bell.—The greater the demand, the greater the price. The question of supply and demand comes in there.

Mr. Ginwala.—We have been told that one ton of steel takes about 4 tons of coal and if two or three big steel works spring up in the country, there would be such increased demand for coal that more would be produced and that coal would become cheaper.

Mr. Bell.—I do not think so; I think it is all the other way. The more you increase the demand for coal, I think the more likely it is for the price to go up.

Mr. Kale.—In paragraph 7 of your statement you have quoted the opinion of the Fiscal Commission that India should be made as quickly as possible more self-supporting than she is now and your committee endorses the proposition. What is it exactly that the committee means when they say that India should be *made* as quickly as possible self-supporting?

Mr. Bell.—Perhaps the term is unfortunate but what it does mean is by the natural development of these industries.

Mr. Kale.—The drift of the argument there appears to be that some special attempt should be made in the matter of development to make India self-supporting. You say as regards condition (*d*) the committee do not for one moment overlook the fact that the rapid development of steel making in India is very desirable for purposes of national defence and that India "should be made" as quickly as possible more self-supporting in the matter of defence. Now, how will you do it?

Mr. Bell.—By the natural development of these industries.

Mr. Kale.—That is not "making."

Mr. Bell.—I have already told you that the term is unfortunate. In a statement like this you cannot quibble about a word. The meaning is that it is desirable that the industries should develop as quickly as possible, etc., *i.e.*, that the natural development should go on as rapidly as possible.

Mr. Kale.—So it is a pious wish that the industries required for the defence of India should develop but no special efforts should be made. I want to distinguish between these two things. The desire that natural development should take place is one thing and that development should be fostered is another thing. Your desire is that there should be natural development without any efforts being made by Government?

Mr. Bell.—I do not think that is implied by that suggestion at all.

Mr. Kale.—Then I should like to know what the view of the Chamber is.

Mr. Bell.—The meaning of the Chamber is that it is a desirable thing that India should be made as quickly as possible self-supporting. I think it is an admission rather than anything else. We quite agree that it should be, but we do not agree that it is necessary to put 33⅓ per cent. duty on steel in order to do that.

Mr. Kale.—I cannot follow how the Chamber can mean what the words do not imply. There is no point in writing this sentence that India "should be made" as quickly as possible self-supporting unless you want to suggest that India should be deliberately helped by the State to become self-supporting. There are two alternative courses. Either you rely on natural development taking place or you want that development should be fostered by Government.

Mr. Bell.—You make it easier for me to reply. I should say that the safest course for the country is that the natural development of trade should go on.

Mr. Kale.—So that you do not want Government to do anything for the defence of the country?

Mr. Bell.—That is quite a different proposition altogether.

Mr. Kale.—The question is whether India should be made self-supporting in the matter of defence or not. You say it should be made by natural development. That is to say, that Government should not make any efforts, that Government should leave it to nature and natural development should take place.

Mr. Bell.—In other words it is unnecessary for Government to protect the steel industry in order to secure the defence of India or in order to make India secure. That is what the Chamber means.

President.—We would refer you back to the opinion of the Chamber in 1922 which was as follows: "Speaking broadly, the Committee would be against protecting industries which show after a time that they must have permanent and continuous assistance in the way of import duties. It may, however, be necessary here to make exceptions in respect of industries required for the production of war munitions and material." They were prepared to favour even permanent protection in such cases.

Mr. Bell.—They do not favour permanent protection now.

Mr. Kale.—The Committee go on to say that they are unable to see how the end in view will be attained by the levy of a protective duty on steel. It is a matter of opinion whether that object can be attained by an import duty or by a bounty or any other means but I thought that the implication was that some efforts should be made, but now you tell me that the Committee do not contemplate any efforts being made by Government to help the industry.

Mr. Bell.—The Committee do not consider it necessary to protect the steel industry.

Mr. Kale.—Do you think that it should be left to itself?

Mr. Bell.—It does not require assistance.

Mr. Kale.—Do you think that this view is endorsed by the experience of the war time, namely, that things should be left to themselves? Has not war taught any lessons in the matter of the steel industry being developed as early as possible?

Mr. Bell.—You are assuming that it cannot develop without Government assistance while we say that it can. You have got to prove that it cannot.

Mr. Kale.—The war has proved it.

Mr. Bell.—The war has not proved it. Before you tax every man, woman and child in this country you have got to say more than that. It is your own people who will be taxed.

Mr. Kale.—We are not discussing the means. We are discussing the object itself. Don't you think that it is an object worth trying to attain by all possible means?

Mr. Bell.—That is going outside the question altogether. We are talking about the steel industry just now and there are many ways in which Government could interest themselves in the steel industry other than by protecting it, if it is a question of national defence.

Mr. Kale.—I should like to know what the ways are.

President.—Are you prepared to put these suggestions on behalf of the Chamber?

Mr. Bell.—That is my own opinion. That is not contained in the statement at all.

Mr. Kale.—So that the Chamber is not prepared to show us the other means by which the object is to be attained?

Mr. Bell.—Take the wolfram industry. During the war in Tavoy Government induced people to invest capital in the industry and considerable capital was invested. Was there protection then? There was none. All that Government had to say to the people was this was an industry necessary for the country and people invested money in it. Mr. Ginwala knows this well.

Mr. Kale.—You have no practical remedy to suggest to make India self-supporting in the matter of steel?

Mr. Bell.—As a Chamber "No." We say that there is no artificial means necessary to develop the steel industry.

Mr Kale.—When the occasion arises, according to the Chamber, for saying that the steel industry in India requires protection what condition do you expect should be fulfilled in order to give steel protection?

Mr. Bell.—You have to prove that it could not be carried on without protection.

Mr. Kale.—Are you in favour of a low rate of exchange?

Mr. Bell.—It depends on circumstances.

Mr. Kale.—From paragraph 16 of the letter I should think you are in favour of a low rate of exchange.

Mr. Bell.—In many ways a low rate of exchange is an advantage and in many cases a higher rate is an advantage. It all depends on your point of view.

Mr. Kale.—In paragraph 16 you have said that if there is a rise in the rate of exchange it would be detrimental to agriculture.

Mr. Bell.—The reasons are stated there. Agriculture is one of the great industries in India. Take the cultivation of linseed for instance. If you have a high rate of exchange, your grower of linseed is at a disadvantage with his competitors in the world because that linseed is sold in London. You sell it at sterling and you get a sterling draft in exchange. You take that draft to a sterling Bank and you will get fewer rupees, *i.e.*, a smaller amount of money than you would have got if the exchange were low.

Mr. Kale.—Quite so, but there is a limit beyond which exchange cannot go up or down. It is a relative term and you cannot indefinitely go on raising the exchange. You say that the balance of trade would be disturbed if the imports of steel were to be very considerably restricted, but the imports of steel with which we are concerned at present are not properly represented by the sum you have mentioned—Rs. 81 crores. That includes machinery also with which we are not concerned now. It is not going to be protected.

Mr. Bell.—You mean to say that fabricated steel is not going to be protected?

Mr. Kale.—Machinery is entirely different from fabricated steel.

Mr. Bell.—If you do not protect machinery and you do protect steel, you put out of consideration any possibility of having works in this country manufacturing machinery. You will close down every work in this country that makes machinery.

President.—Surely this seems to be a wide statement. In some of the machinery made in this country cast iron is a good deal more important than steel.

Mr. Bell.—But I think it does apply.

President.—That depends on the amount of steel used in the machinery. There is a good deal of cast iron in machinery. Only one or two firms who manufacture machinery have appeared before the Board.

Mr. Bell.—I think that the evidence of Burn & Company was to the effect that if they were not protected they would be very severely hit.

President.—The manufacture of machinery is only a small proportion of that firm's business.

Mr. Kale.—So that out of this Rs. 81 crores, machinery and hardware must disappear, and the force of your argument is reduced to that extent. It is not a question of Rs. 81 crores at all, and the amount would be reduced very largely on account of machinery and hardware not being taken into consideration at all.

President.—There are two things under hardware.

Mr. Kale.—The disturbance is not likely to be as serious as is implied by this figure of Rs. 81 crores?

Mr. Bell.—Of course, if that figure is smaller, the disturbance would be correspondingly reduced.

Mr. Kale.—If we assume that a certain industry is to be protected, are we to be deterred from doing what we think is right simply because exchange will go up or down? Is the exchange the primary consideration?

Mr. Bell.—It is not suggested that it is the primary consideration. It is one of the considerations. It is merely to show that the agriculturist will

get fewer rupees for everything he grows because of the fact that on account of the balance of trade going the wrong way exchange will be higher.

Mr. Kale.—You assume that the balance of trade will not be adjusted in any other way. You assume that the imports of steel will be reduced and, therefore, the power of the country of export will to that extent be adversely affected. Is it not possible that the balance of trade will be adjusted in other ways? The place of steel will be taken by something else?

Mr. Bell.—That is a general statement. The effect is that you take out a very large factor from the number of things that make up the balance of trade. You may say that this may be made up in some other way but you cannot get away from the fact that the effect would be a certain thing.

Mr. Kale.—There is that possibility?

Mr. Bell.—You know the one thing and you are not sure about the other.

Mr. Kale.—It appears to me that you are rather exaggerating the force of that argument that the agriculturists will be very hard hit.

Mr. Bell.—They will be hit because for everything they buy they will have to pay a very high price.

Mr. Kale.—Subject to the assumption that things will not adjust themselves in other ways?

Mr. Bell.—Protection strikes at the agriculturists in two ways. It makes him pay higher prices for everything he gets, and for his crops he gets a lower sum.

Mr. Kale.—I was only pointing out that the results were always temporary. For a certain time while the exchange is changing these effects are felt but in a very short time things adjust themselves—these prices adjust themselves—and no one is worse off.

Mr. Bell.—That is a very general statement.

Mr. Kale.—You say that the steel industry will develop naturally in this country. I should like to ask if that is so, why have not other firms taken up the manufacture of steel during the last so many years? If the natural advantages are very favourable, and if you want to leave things to the natural development, how is it that other firms have not taken to steel manufacture?

Mr. Bell.—In a country like India development goes step by step. At a certain point they come to the step where they take up steel. They have taken up different things by degrees: they have gone from one thing to another and have now come to the point where their attention has been drawn to the steel industry and it will now draw the attention of a greater number of capitalists than it has in the past. Hitherto we have been so well off in the matter of steel that the stage had not been forced upon us. The war was in a way the first lesson we had in the desirability of having a steel industry in India and public atttention was drawn to it then.

Mr. Kale.—But the manufacture of steel was attempted and abandoned. Why was not that taken up?

Mr. Bell.—It must be taken up at some time.

President.—After all, the lessons of the war were of great importance to Government but it has no bearing on the capitalist who is out to make money.

Mr. Bell.—He discovers the possibility of markets. I think it is quite an appropriate thing that India with all the advantages it has should endeavour gradually to develop her own industries. It is the natural course of things.

Mr. Kale.—Suppose the steel industry did not develop as you feel it might develop under natural conditions, say for the coming 25 years, would your Chamber not think that it would be an undesirable course for things to take that India should not have a steel industry for 25 years?

Mr. Bell.—If the Chamber believed that there was no possibility of the steel industry developing in 25 years, they would look on things from a different angle.

Mr. Kale.—How long will they wait—10 years, 15 years, 20 years—I should like to know how long will they wait to see whether the steel industry is developing or not?

Mr. Bell.—No answer that I gave to the question would be of any value.

Mr. Kale.—If it did not develop in the course of ten years it must, at any cost, be taken up?

Mr. Bell.—That is putting the thing rather a different way. The much more reasonable way of putting it is that if the Chamber felt that the steel industry could not be developed without assistance, I think, their attitude would be different. They would be quite willing to examine the thing again.

Mr. Mather.—I just want to take up the question of the figures given in paragraph 16 bearing on the relation of the import of iron and steel, etc., to the total imports. The figures which you give show this particular class of import to be about 30 per cent. of the total imports.

Mr. Bell.—The total value of India's import trade for the year was about 266 crores of rupees and of this total nearly 81 crores was represented by iron, steel, machinery, railway plant and hardware. That is about 30 per cent. of the whole.

Mr. Mather.—I take it that your view is that any big disturbance of the 30 per cent. of the imports to the country would upset the exchange of the country?

Mr. Bell.—That would naturally follow.

Mr. Mather.—Mr. Kale has already pointed out that in that 81 crores several very important items have been included which are not likely to be affected by the Board's recommendations on the basis of the present enquiry and I should like just to present these figures to you and see whether that would modify the view that you have on the subject. Before dealing with the division of these imports I should like to point out that whereas in 1921-22 30 per cent. of the total imports did fall into this class, in the following year only 20 per cent. fell into this class and in the first six months of 1923-24 only 24 per cent., which rather suggests that they were abnormally high in the particular year for which you have quoted figures. So that 30 per cent. at any rate, even if all these things were affected, seems to be unusually high. But if we confine ourselves to the articles which come in the trade returns under iron, iron or steel, steel, wagons, rails, railway sleepers, and bridgework for all consumers including Government and the railways, then we get only 12 per cent. of the total imports for 1922-23 and 11 per cent. for the first half of 1923-24.

Mr. Bell.—Except in so far as they are produced in India, there is no question of putting a duty at present on machinery?

President.—Nobody has proposed to put a duty on these things.

Mr. Mather.—If you consider the figures in detail you find that most of the machinery imports are articles which could not be made in India, at any rate for a considerable period, and they would fall outside the scope of any application for tariff, such as large electric motors, boilers, large steam engines and so on.

Mr. Bell.—There is no reason why they should not be made.

Mr. Mather.—There is no indication that anybody is likely to take it up.

President.—Except in so far as attempts have been made to produce machinery of a particular kind in India, except to that extent, nobody has proposed that machinery should be included in a higher duty.

Mr. Mather.—That figure that I have given you of 12 per cent. includes all kinds of cast iron and pig iron. There is no proposal before the Board that any additional duty should be put upon these. If these again are omitted, the total comes to only 10 per cent.

Mr. Bell.—I do not criticize your figures in any way, but I have not got the papers before me to check what you say. As I said, these statements were not prepared by me. They were prepared by a considerable number of

people and therefore it is impossible to go into every statement that is made out and discuss the figures: if my figures are wrong or subject to modification, the Chamber would be quite willing to accept that. They have no wish to put forward a fictitious figure.

Mr. Mather.—What I am trying to ascertain is this. You contend that this 30 per cent. of the total imports would affect the exchange. But I take it that you will agree with me, if on a closer examination you find 10 per cent. as the correct figure, you would not attach very great weight to the argument?

Mr. Bell.—I would attach weight but not quite so much, but even 10 per cent. of the total imports would have a great effect on exchange.

No. 87.

Bombay Chamber of Commerce.

WRITTEN.

Statement I.—Original representation of the Bombay Chamber of Commerce, to the Tariff Board, dated the 30th October 1923.

I have the honour to submit hereunder the views of my Committee on the subject of the protection of the Indian steel and iron trade.

2. As regards the general question my Committee are of opinion that a very limited amount of protection would probably, if carefully applied, be to the good of the country, for it might assist in the development of a basic steel and iron industry which, although not essential to an agricultural country such as India, would probably further its commercial development. In particular a measure of protection might be of special assistance while Indian workmen are being trained in the industry. This industry if developed may be an asset to the country if India is ever again cut off from sea-borne supplies during a war; and it may be mentioned in this connection that the Tata Iron and Steel Company rendered very material help in supplying the needs of the armies in Mesopotamia during the recent war.

My Committee consider therefore that the institution of some protection greater than the present 10 per cent. duty on imported iron and steel may usefully be considered but they are firmly convinced that protection on the scale of the suggested 33⅓ per cent. import duty would do far more harm than good to the country as a whole.

4. An import duty of 33⅓ per cent. would, I am to point out, gave a practical monopoly to the indigenous steel and iron industries and in doing so it would put up the price of every commodity to every inhabitant of India. Moreover the railways are dependent upon steel and iron for their rails, trucks, engines, etc., and they would be compelled to raise their prices both for freight and passengers. Every industry is affected directly or indirectly by the price of steel and iron and the suggested duty would, my Committee think, have effects which have not been given due consideration by those who advocate it.

5. I am further to draw your attention to the fact that the steel and iron industries of India are able to supply only a portion of the country's requirements and it is very doubtful if they will ever be able to supply all satisfactorily. The engineering firms of Bombay frequently buy steel from the Tata Iron and Steel Company but they often find it impossible to obtain the sections they require and in fact the larger class of steel beams are not rolled at all in India. Firms with London branches, in executing orders for steel, frequently deal with ten or twelve different works in Europe, purchasing one section from one place, another from another, in order to obtain them at the lowest price and with the quickest delivery; this practice, which is to the benefit of India, would not be possible, owing to the lack of competition, were the purchase of supplies altogether confined to India by the suggested protection.

6. Again, my Committee doubt if the capacity of the Indian railways would be sufficient to enable the Indian steel and iron industries to transport supplies to all centres cheaply and quickly. There is difficulty now in sending out finished products from Bombay, but this would be doubled had the raw material also to be brought in by rail.

7. In conclusion I am to repeat that my Committee consider that some protection may feasibly be given to the industry in question for a limited number of years, so as to assist its development. This protection need not necessarily take the form of an increased import duty; the suggestion of granting a Bounty on the tonnage sold, is, for example, I am to say, worth consideration as an alternative; it would, in my Committee's opinion, better encourage the industry to manufacture the class of steel and iron for the manufacture of which India and Indian workmen are more suitable. But whatever form of protection is ultimately considered most desirable, I am to add that India's prosperity would my Committee feel sure, be more retarded than developed by the suggested 33⅓ per cent. duty on all imported steel and iron.

Oral evidence of Messrs. F. NELSON, V. A. GRANTHAM and Major G. C. RICHARDSON, D.S.O M.C., representing the Bombay Chamber of Commerce, recorded at Bombay on the 26th November 1923.

President.—I should like to say at the outset that we are very much indebted to the representatives of the Chamber for coming to give oral evidence to-day. It makes a good deal of difference if one actually gets face to face over these things, because there are always points in the written statement that require amplification and explanation.

Mr. Nelson.—With your permission, I should like to make a short statement. We should like to place on record what I have no doubt you will appreciate that it is not altogether an easy matter to place in front of you the views of a body like the Chamber of Commerce, especially such as ours which comprises such very divergent interests. We have therefore endeavoured in order to assist you to get at the views of our members by means of a referendum. Out of the replies received from this referendum, only four were in favour of no protection of any sort or description. The majority support the view which we shall endeavour to put forward this morning; they favour a measure of protection greater than 10 per cent. but not so great as 33⅓ per cent., but I must in this connection inform you that of the total membership of 147 only 33 replies were received. I tell you this in order that we may make our position perfectly plain. We have, as you very kindly said in your opening remarks, a whole-hearted desire to assist the deliberations of the Board. I am here as the head of this deputation. Major Richardson is my expert adviser, whose evidence in his individual capacity you have already heard, and Mr Grantham, who is the head of a large mercantile concern, has studied this subject in its general working but lays no claim to any expert knowledge. We are not prepared, I wish to say at once to you, Gentlemen, to commit ourselves at this juncture as to the exact amount of protection desirable until we are fully convinced that the Tata steel industry is being administered as economically as possible in the circumstances. In this connection I would ask Mr. Grantham to put in front of you some of our difficulties and later Mr. Richardson. We are distinctly in favour of protection by means of a bounty and we are prepared to submit our arguments in this connection.

President.—We are very much indebted to you. Would it be your desire that Mr. Grantham and Major Richardson should at the outset explain the difficulties which you say you feel as regards the question of the amount of protection required?

Mr. Nelson.—With your permission and that of your colleagues, it would be my wish that Major Richardson and Mr. Grantham should at the outset place on record the difficulties in arriving at what I may call any fundamental decision as to whether the steel industry is being run as economically as possible. The difficulties I have alluded to are put in front of you—I trust I need hardly say—in no controversial spirit.

President.—That would be the most convenient procedure. We want to hear what you have to say on the subject and then we shall be in a position to ask questions about that.

Mr. Grantham.—My first difficulty is this. The import duty on iron and steel was increased in the year 1922-23. It was a substantial increase for revenue purposes. The Company's Annual Report for 1922-23 covers that year. In the Chairman's speech we have evidence to show that a strike wiped out the profits of the year. In spite of that, the profits of the year amount to Rs. 20 lakhs as compared with only a lakh for the year before that.

President.—Surely not the year before.

Mr. Ginwala.—They gave 4 per cent. dividend. It must have been something more.

President.—I am afraid I have not got the document to refer you to at the moment. Are you by any chance referring to a statement in the representation of the Tata Iron & Steel Co., addressed to the Board?

Mr. Nelson.—No.

President.—In the representation made to the Board by the Company, actuals for the year 1921-22 are given. So your statement cannot be correct. That falls to the ground.

Mr. Grantham.—Yes.

Major Richardson.—The other day, when I was here representing my own firm, you asked me to let you have the c.i.f. prices of British and Continental beams for the last two years. I have had this made out (hands in a statement).* They are not c.i.f. prices. We have got our own buying house in London. We pay them 2½ per cent. and these figures include the 2½ per cent. They will be slightly greater than those which appear in Tata's statements. The figures are rather interesting. In July 1922, when Tata's wanted to raise a loan of £2 millions in England, they put their prospectus before the public and in that they made this statement :—" that the Company has had no difficulty in disposing of the whole production at profitable prices and the recent imposition of a customs duty on imported steel in India of 10 per cent. will ensure a still more favourable market in the future." When you come to compare the prices of steel for July 1922 and the present day, you find that as a matter of fact the present day prices are higher. It seems rather a poor argument from the Company's point of view. The price of British steel on which Tata's base their price went down from July 1922. It went down only slightly about 5 shillings a ton in September and October, and since then it went up largely owing to European troubles.

Mr. Ginwala.—That is only for about two or three months.

Major Richardson.—Yes, but then for the last three months prices have been practically level and that level is a little higher than it was in July 1922 when the Company made that statement. That is the point we wanted to bring out.

Mr. Ginwala.—Mr. Reith has promised to send us some figures.

Major Richardson.—They will come from the same source.

President.—I think that the Board appreciate the importance of the point. It is clearly one which it will be incumbent upon the Tata Iron and Steel Company to meet. What is the next point?

Mr. Nelson.—May I ask you to allow Mr. Grantham to develop the question of bounty.

Mr. Grantham.—My first assumption is that the present industry is restricted to the manufacture of a limited quantity of iron and steel of certain descriptions only, in which case it cannot produce anything like the total requirements of the country. That being the case, I cannot agree to the principle of a general tariff to help an industry which cannot supply the complete requirements of the country. The Indian industry is still in its initial stage and I consider that, unless the total needs of the country are being produced or can without difficulty be produced, a general tariff is a great and unnecessary burden on the consumer. I think that protection by means of an import duty at this stage would tend to encourage inefficient production and would delay the reduction of overhead charges and working costs, and it would cause less effort to be made to reach a high and efficient standard. In order that the Indian steel industry may compete successfully with the imported article, the price of coal and transport charges must be reduced to a minimum. I am not satisfied yet that either of these essentials has been effected and I therefore object to the consumer being taxed by means of a heavy general tariff, unless every possible effort has been made to reduce the cost as much as possible. I think that a heavy import duty will tend to cause more harm than good. Unless and until it has been shewn that these overhead charges cannot be reduced, I consider that it cannot be satisfactorily proved that a duty of 33⅓ per cent. is required. I fear that an unnecessarily high duty, besides imposing a serious burden on the general consumer and on the country as a whole, may lead to an unhealthy trade boom which would in its turn unsettle labour in other established industries. I think that we want at present lower costs and greater production in India. I also fear that a heavy import duty would lead to a combination of manufacturers who would exploit the consumers in India.

* See the Evidence of Messrs. Richardson and Cruddas.

President.—What sort of combination are you thinking of at the moment?

Mr. Grantham.—A combination of manufacturers of iron and steel to force up prices.

Mr. Ginwala.—As far as steel is concerned, there is only one firm in India which manufactures steel.

Mr. Grantham.—If you are going to give $33\frac{1}{3}$ per cent., others would come.

President.—All I wish to ascertain is whether it is an immediate or a slightly remote combination that you had in view.

Mr. Grantham.—The whole of my argument is theoretical and so it must be remote. This industry is in its initial stages.

President.—I only wanted to be sure as to what you meant. Are these the points which you wanted to put before the Board?

Mr. Nelson.—These are the points we would like to be questioned about. Mr. Grantham has pointed out that the whole of our argument is necessarily theoretical We are not steel experts and there are so many technicalities of which we have no knowledge. Possibly when you put questions we may be able to make one or two more points.

Mr. Ginwala.—You say "we must be satisfied that the management is economically run." Are you going to give any evidence on that point? That is most important. If you give us your opinion on that, it will be very valuable.

Mr. Grantham.—I had better continue with my argument a little further. Those general reasons which I have given are based on the assumption that the industry is restricted, as it is, to manufacture a limited quantity of certain classes of iron and steel.

President.—I had better say right off that iron has not been referred to the Board. It is only the question of steel that has been referred to the Board. I mention that in order to clear the ground.

Mr. Grantham.—If this industry can be developed in future so as to produce all classes of steel in a sufficient quantity, and I take it that this will be done, there might then be a case for general tariff as opposed to our present suggestion of bounty. In that case I feel that, not only would the Indian desire for intense industrialisation naturally lead to the manufacture of all classes of steel, including machinery, in this country, but also that the object of the general tariff would be defeated unless the manufactured articles and machinery were proportionately, which would mean heavily, taxed. It is largely because I feel that this projected import duty on steel must eventually lead to a heavy import duty on steel manufactures, including machinery, that I oppose it and support the bounty system. I am altogether opposed to taxing machinery which I think is absolutely necessary for the industrial development of this country. Then again I fear that a heavy import duty would eventually lead to a sacrifice of agricultural interests as agriculture would be severely handicapped if the introduction and the growth and use of up to date agricultural machinery and implements was checked. I think that any form of protection which would hurt agricultural interests would defeat its own object.

President.—I don't quite follow your argument about the manner in which agricultural interests would be sacrificed as a result of the general tariff, the consequences of which you apprehend.

Mr. Grantham.—Bearing all that in mind. I come to the conclusion that the fairest way of giving protection to the steel industry—and I am in favour of protection being given—is by means of a bounty and not by means of a general tariff on imported steel including the steel which the country cannot produce.

President.—It would be convenient if I said now that the object of the Board will be, as far as possible, not to include in the scope of any proposals that are made those kinds of steel which are not produced in India at present or which no firm will be equipped to manufacture. I quite admit that it is a complicated and difficult question and practically it may not always be possible to effect the discrimination which one would desire to. Of course there is also the possibility

that once protection was given to steel on the general ground that steel ought to be encouraged, then new manufacturers may start and the scope of steel may gradually extend. That is a fact which has got to be faced.

Mr. Nelson.—Do I understand you to say that so far as you are able to state at the moment any recommendation that your Board may eventually put forward will have as its basis that steel which is not produced in the country will not be taxed?

President.—That is the line which has been taken by the Tata Iron and Steel Co. itself. They did not ask for any increase in duty or protection as regards those kinds of steel which they were not equipped to produce.

Mr. Nelson.—Thank you.

Mr. Ginwala.—Are you making some suggestions as to how this money for giving bounties is to be found?

President.—I am coming to that. Mr. Nelson, are these the points which the Chamber wish to put before us?

Mr. Nelson.—You will no doubt allow Mr. Grantham later to develop the bounty question.

President.—Surely, that is a very important point. I think that if I clearly understand the position of the Chamber, they favour protection to the steel industry to a limited extent, but they think that the best way of doing this would be by means of a bounty on the production of steel—it is specifically put in your memorandum—and that you consider that the increase in the rate of duty to 33⅓ per cent. is excessive and would do more harm than good to the industries of the country.

Mr. Nelson.—Always excepting that you and your colleagues are able to refute any of the arguments put forward by Mr. Grantham. We don't profess to be experts.

President.—I think that the reason that has weighed most heavily with the Chamber in supporting protection to steel industry, to the extent that they do support it, is the desirability in the national interests in the time of war and so on, that steel should be manufactured in India. May I take it that that is the main object in your mind?

Mr. Nelson.—Yes.

President.—Apart from that, the Fiscal Commission laid down three conditions which ought to be satisfied before protection is extended to any industry, in para. 97 of their report. Have the Chamber considered those conditions? Do they regard them as suitable?

Mr. Nelson.—We considered them.

President.—Have you considered the question whether the steel industry fulfils these conditions?

Mr. Nelson.—Do you mean the steel industry as at present organised?

President.—I don't want to put a question covering the three points. The first condition laid was "The industry must be one possessing natural advantages, such as an abundant supply of raw material, cheap power, a sufficient supply of labour or a large home market." Have the Chamber considered that question?

Mr. Nelson.—Our reply is in the affirmative.

President.—That is to say, you recognise the natural advantages the industry has in its raw materials and so on, and the fact that it can produce pig iron at a lower cost than others?

Mr. Nelson.—Yes.

President.—The second condition was: "The industry must be one which without the help of protection either is not likely to develop at all or is not likely to develop so rapidly in the interests of the country." Have the Chamber come to any opinion about that?

Mr. Nelson.—We must necessarily generalise on that. We recognise that very many obstacles have been encountered, *viz.*, strikes, etc.

President.—Subject to its being established that the Tata Iron and Steel Co. was being managed with reasonable efficiency, would the Chamber be inclined to say that this condition was satisfied?

Mr. Nelson.—Yes, subject to that.

President.—For that reason I am putting it to you in that form. You are not in a position to say whether the Company is efficiently run or not, but subject to that you think that the steel industry does come within the second condition?

Mr. Nelson.—Yes.

President.—Thirdly, the industry must be one which will eventually be able to face world competition without protection. I don't know how far you are prepared to say anything about that.

Mr. Nelson.—That again one must necessarily generalise on. The Tata Co. hope to produce 400,000 tons and one has to compare this with what we understand to be the requirements of India. I don't know whether this 400,000 tons is the maximum that they are going to produce.

President.—That is the maximum they will be able to produce as at present planned.

Mr. Nelson.—I will ask Mr. Richardson to answer that point.

Major Richardson.—It is the maximum that they have apparently laid out. Therefore the production is going to fall very short of the requirements of the country for a great number of years.

President.—Yes. I think probably what the Fiscal Commission had in their mind was not so much the question of that sort as the question whether the cost of production in the industry could be reduced to such a level that it could compete with the rest of the world on reasonable terms.

Major Richardson.—Any increase, such as Tata's are proposing to-day, must be able to reduce the cost of production per ton as soon as it is brought into effect. Otherwise I cannot see any point in doing it. Presumably they can reduce their cost if they can increase their output.

President.—That condition is a difficult one for the Chamber to express an opinion about. I think it is essentially a question of the cost of production and that cannot be answered without detailed examination. It is related, of course, to the first condition about natural advantages. If they start with this advantage the question is whether there is any reason why the cost of the rest of process should be a great deal higher than elsewhere. Perhaps I may take it that as regards the third condition the Chamber do not express an opinion.

Mr. Nelson.—We consider that it is too hypothetical to express an opinion on. As it appears to me, assuming that Tata's produce 400,000 tons per year which is required by Indian consumers, how can we tell what the demand of the Indian consumers will be of the class of steel Tata's produce 15 or 20 years hence? One firm would give one set of figures and another a different one. It seems to me that the question you ask us to answer is premature and therefore you must take it as hypothetical.

President.—Assuming that the cost of production can be brought down to the level of that in other countries, does not the question answer itself? Once it is established that the cost of production can be brought down to the world level, there is no question that with the natural advantages and freight and so on the industry will produce whatever quantity is required.

Mr. Nelson.—The question is whether the cost of production will be brought down. If you could assure us that the cost of production will be brought down we could give an opinion.

President.—I thought the position of the Chamber was that they were unable to express a definite opinion as to whether the third condition was satisfied or not. It is definitely a question of whether it can be made cheaper: that is really the whole problem.

Mr. Nelson.—Yes.

President.—Assuming that the Board were satisfied that protection was necessary, if the manufacture of steel in India was to go on, the question of course arises as to how the measure of protection necessary is to be ascertained. I would rather like to have your opinion as to whether this would be a reasonable way in which to estimate it. In the first place, the Board should attempt to determine the price at which steel is likely to be laid down in India supposing there is no duty (c.i.f. *plus* landing charges) and secondly the price at which the Indian manufacturer can produce at a reasonable profit given reasonably

efficient management. Then the suggestion is that the difference between these two prices is the measure of protection required.

Major Richardson.—In arriving at that figure are you taking the cost of production of the 100,000 tons or the probable cost of production of 400,000 tons?

President.—We should endeavour to take it as far as we can descriminate on the bigger outturn I think.

Major Richardson.—We should not like to make any statement just now on that point because we have not considered it, but undoubtedly it is a very important point to be taken into consideration. That is to say, supposing Tata's could produce to-day steel at a certain cost and by increasing their output reduce their cost by Rs. 10 a ton I think the Board should certainly take that figure.

Mr. Grantham.—My point is that as production is increased, as Mr. Richardson said, the working cost would grow less. Therefore it seems to me that the amount of protection would have to vary in inverse ratio to the decreased cost of production.

President.—There is just this difficulty, that as regards their present rate of production the actual cost is on record and can be ascertained. As regards the cost of production when the full output is attained we shall necessarily be on much more hypothetical ground and it may not be possible to speak with equal certainty there, but after all what it comes to is this. The year 1922 is a bad year to take on account of the strike at Jamshedpur, but taking the year 1921-22 which was comparatively undisturbed by industrial disputes the actual figures of that year are on the whole the best evidence of what the cost is going to be when the full output is attained. As regards the overhead it may be possible to calculate pretty closely what difference the increased outturn will make, but as regards works expenditure it seems to me to be much more difficult to speak with certainty.

Mr. Nelson.—May I ask you with reference to your original statement,—just for the purpose of argument—assuming that the Board finally recommend a duty of 15 per cent. would it be your intention to definitely tie it down for a certain number of years?

President.—That is a matter which clearly is rather beyond the control of the Board at all; it is a matter for the Legislature.

Mr. Nelson.—We merely asked you for information.

President.—I would rather like to put this aspect of the case. One of the objects of protection must be to induce more capital to go into the industry. There is only one firm manufacturing. Supposing the duty was subject to variation every year do you think that capital would be ready to come forward to enter an industry where the conditions were likely to vary annually?

Mr. Nelson.—It depends on the degree of variation.

President.—I take it that there will be a recommendation from the Tariff Board and the Legislature will decide.

Mr. Nelson.—Assuming that you are to take my hypothetical figure of 15 per cent. on that you would base your finances now. Three years hence it will be a little lower or higher. Surely it is a question of production costs visualised by book costs.

President.—It seems to me that the Chamber suggests that the whole thing should go into the melting pot every year.

Mr. Nelson.—We find some difficulty in answering your question. It depends on whether your recommendation will be a permanent one or not.

President.—Supposing it were on a sliding scale?

Mr. Nelson.—We do not see any obstacle to that. There must be some kind of basis on which you will be able to satisfy yourself within a reasonable space of time as to what the cost of production was.

President.—After all it is a question of the two prices that I have mentioned. I think the difficulty that is in our mind is that neither of these is certain and will vary. Take first of all the price at which steel can be laid down in India. There have been within the last year substantial variations in prices. Major Richardson will be able to give us accurate figures but my impression is that the price of heavy steel rails which was as high as £10 a ton in April and May has come down now to £8-10-0. That is a variation which amounts to 15 or 20

per cent. in the price. One way possibly of dealing with the question is this. Take the basic price at which steel is likely to be laid down for a considerable number of years in India at the price which bore the same relation to the pre-war price as the general level of prices now bears to the pre-war level. Then you will have still to meet periods such as the present when the price of steel drops a good deal below the general level of post war prices and possibly machinery might be devised, when such state of things arose, by which Government would be empowered to impose additional duties in order to meet that.

Mr. Nelson.—In the converse case?

President.—The converse question is a little more difficult because it seems to me that, if everything in the system is liable to annual revision, you are at once up against the difficulty that no manufacturer knows how much protection he would get. Supposing 15 per cent. was taken as the basic rate of duty it should be made clear that it is not going to be reconsidered until after a reasonable period of (say) 5 or 6 years or possibly longer—the exact period will be a question for discussion—and that when the Government of India were satisfied that steel was being laid down in India at a price below what was taken as the basic rate it should be empowered to impose an additional duty. Of course it is not fair to ask for the considered opinion of the Chamber on a scheme of that kind which I have rather inadequately explained, but what I have said, does that in any way go to meet any of the difficulties of the Chamber? Does this kind of way of approaching the subject commend itself to the Chamber?

Mr. Nelson.—I think we agree hypothetically that the difference between the laying down price of steel and the production cost represents a fair basis of the measure of protection required. That is, I take it, your argument but until you can assure us whether it is to be a permanent or a quenquennial tariff or whatever it is I think we shall find it very difficult to commit ourselves.

Mr. Ginwala—The position is this. Once we start with protection hypothetically or otherwise, once you admit the principle of protection, then I think it must be assumed that there must be some guarantee on the part of the State that that industry will receive protection so long as it requires it. There can be no period for that, that is to say, it must get adequate protection so long and to the extent to which it requires it. It is the utmost that the State can do. You cannot make a law which will bind you for five years because the authority that makes the law is the authority that will alter it. The country needs protection and the utmost that the Government can do is to give a guarantee of protection for so long as it needs it and to the extent it needs it. If circumstances require that there will be variation of course to the extent the industry needs. Beyond that you cannot expect the Board or Government to go.

Mr. Nelson.—Our difficulty is that you transfer the decision to another and who the arbiter of the destiny of the steel industry is going to be 10 years hence no one knows. State is rather a general term.

Mr. Ginwala.—It must necessarily be the State.

Mr. Nelson.—Yes. Our answer to the question is in the affirmative.

President.—Of course that will be taken subject to the various conditions you have drawn attention to in the intermediate discussion. There is one point which I am not quite sure that I follow. You say "An import duty of 33⅓ per cent. would, I am to point out, give a practical monopoly to the indigenous steel and iron industries..." In what sense would it give a practical monopoly?

Major Richardson.—There is only one maker of it.

President.—Surely monopoly means that India will not be able to buy steel anywhere else

Major Richardson.—You are putting the monopoly of manufacture in one hand.

President.—I really do not understand that. Supposing the duty were raised to 33⅓ per cent. and prices rose to the full extent of the duty they would be a little more than 20 per cent. above the present level of cost. The effect of that rise in price would not make it impossible to import any steel. You would still be importing.

Major Richardson.—No.

President.—Let us take actual structural sections, which they will be producing. We were told by some firms in Calcutta that they asked Tata's for particular sections but were told that these sections could not be supplied until December. They had therefore to import what they required from England and exactly the same could be done after the duty was raised.

Major Richardson.—They will have to pay another 5 per cent. anyhow.

President.—After all it is the old objection to protection, that you have to pay more. But it does not seem to me that it gives the Indian producer an actual monopoly.

Mr. Grantham.—The result of a high tariff is to give the manufacturer a practical monopoly. Take the case of America, for instance. We expect that eventually the position will be the same in India.

President.—If you are referring to a future date when one or two other firms have taken up the manufacture of steel, then I can understand that the time might come when 80 per cent. of India's requirements in the way of steel were produced in the country. But even so it would be still possible to import, also it will take any firm which embarks on steel manufacture at least five years before it begins to produce.

Mr. Grantham.—Still we must look to the future.

President.—It is a little important I want to understand what the Chamber really had in mind when that particular statement was made.

Mr. Grantham.—It is that within the limits of the protection that you give that the Indian manufacturer will have a monopoly.

President.—But that view is hardly consistent on the other hand with what you say in para. 5 "that the steel and iron industries of India are able to supply only a portion of the country's requirements and it is very doubtful if they will ever be able to supply all satisfactorily." The people of India have to get their steel from somewhere and, as far as I can see, the only point is that they will have to pay more for it.

Mr. Grantham.—One can say that there is no monopoly at present but eventually in the future that risk will have to be met.

President.—But still you will have to pay a higher rate to the steel markets of the world for any special steel you require that is not manufactured by Tata's.

Major Richardson.—Certainly.

Mr. Grantham.—There can be no monopoly as long as other countries are producing steel, but the monopoly is really in the future.

Mr. Nelson.—If I may say so, I still adhere to the opinion that we meant to convey in para. 4 of our letter that to all intents and purposes it is a monopoly. We did not mean 'practically' in the sense that it is perhaps generally used. Virtually would probably have been a better term.

President.—If the object of protection is that the country should be able to supply its own requirements by manufacturing within the country, then the eventual result is in a certain sense what you may call a monopoly. Perhaps I may point out that we are bound by the conditions laid down by the Fiscal Commission and approved by the Government of India and the Legislative Assembly. The theory is that the industry, if granted protection, should eventually be able to compete on level terms in the world's market. The monopoly that is contemplated is a monopoly of natural advantages, so far we adhere to what is laid down by the Fiscal Commission.

Mr. Nelson.—Yes.

President.—It is of some importance in connection with the steel industry that, if the fullest use were made of the natural advantages which an industry apparently possesses, it is by no means impossible that India may become an exporting country. The moment that happens they would be able to produce a larger variety of products than when they are confined to supplying the country's own needs.

Mr. Nelson.—Yes.

President.—There is one point in the statement made by Mr. Grantham that I do not quite understand. Tata's at present only produce quite a small proportion of the country's requirements in the way of steel and even when the

Greater Extensions are complete their output will be something less than half. I understood him to say that on that basis protection ought not to be given in the form of a tariff duty. I don't know whether he went the whole length but he suggested that protection ought to be given when the manufacturers were in a position to supply the whole needs of the country.

Mr. Grantham.—We are speaking generally.

President.—On that basis how are you going to start protection at all?

Mr. Grantham.—By means of bounties when the industry is in its initial stage.

President.—Supposing an industry were producing only one per cent. of the country's requirements it would be absurd to contend that, in order to develop that industry everybody should pay a higher price for the remaining 99 per cent.? But 400,000 tons is something like 2/5th of India's requirements of steel, and it seems to me unreasonable to rule out tariff duty when the local manufacturers can meet what is nearly half the country's needs.

Mr. Grantham.—I have two things in my mind; the first thing is that in the event of a protective duty we have to consider whether the profits of the industry are to be limited to a certain percentage or to be allowed to increase to the extent of the reduction in the cost of production which will automatically take place.

President.—It has not automatically taken place so far in the steel industry.

Mr. Grantham.—It has taken place in other industries. That being so, I think it would benefit the country more if protection is given by means of a bounty than an import duty because the bounty will take less out of the country. My second point is that I do not agree that an import tariff on all steel will bring about a fair incidence of taxation. I think it will have a tendency to fall on the wrong people and it is better to give protection by means of a bounty rather than by means of a tariff.

President.—Practically there is another side to the case I think. For one thing the general policy of bounties as a means of stimulating industries requires a considerable sum from the general budget of the country, and we are subject in India to periods when Government is exposed to considerable financial stress and there is always the danger that the Finance Member may refuse to find the money for bounties, whereas if the protection is given in the form of an import duty, the interests of the Finance Department are on the other side.

Mr. Grantham.—Protection by means of bounties means that people will appreciate to a very great extent exactly what they are paying for the protection of an industry. If it is given by an import tariff they will not appreciate it to the same degree.

President.—That is quite probable That is to say, it is much easier to ascertain exactly what the assistance given to an industry is costing the country. But as a practical proposition at the present moment, I take it that the Chamber will recognize that to give the assistance required by the steel industry in the form of bounties would require a considerable sum of money which it would be difficult to find.

Mr. Grantham.—My only reply to that is that in any case any protection which you are going to give will cost money, whether it is by means of import duty or bounties.

President.—Economically they are not dissimilar. It is largely a question how the burden is going to be distributed. It is a burden that you bear for the time being in the hope that it will benefit the country hereafter.

Mr. Grantham.—Government can distribute the bounty as equitably as possible.

President.—Has the Chamber considered the combining of the two methods?

Mr. Grantham.—We have not.

President.—It was a proposal put forward at one time by the Tata Iron and Steel Co., themselves, but perhaps the Chamber are not prepared to express any opinion about that?

Mr. Nelson.—No.

President.—In paragraph 4 in the first instance you say "An import duty of $33\frac{1}{3}$ per cent. would, I am to point out, give a practical monopoly to the indigenous steel and iron industries and in doing so it would put up the price of every commodity to every inhabitant of India." In so far as the higher duty might increase railway transport charges I can understand how it would have some effect on the price of every commodity except those which are locally produced, but apart from that I am not able to see yet how such a very wide statement can be justified.

Mr. Nelson.—We have only made statements which you yourselves have admitted.

President.—I don't think I have. I said that there was a burden which might be distributed in various ways according to the form which protection took, but the particular method that is under consideration in this paragraph is the import duty $33\frac{1}{3}$ per cent. I am quite ready to admit that in so far as railway rates are kept at a higher level than they would otherwise be, to that extent it would increase the price of everything. Do the Chamber suggest that apart from that there are ways in which it would operate so extensively?

Major Richardson.—It must put all prices up indirectly. Steel is used in the construction of all principal factories and buildings in India and, if you are going to put up the price of steel by, say, 20 per cent., the cost of any new extensions to factories will go up in proportion and that must put up the cost of articles manufactured in the country.

President.—It does not affect the imports except as regards the railway freight and possibly an increase in the landing charges at the port which would not be a very heavy charge.

Major Richardson.—No.

President.—It seems to me that although unquestionably protection of steel does extend very far because of the extent to which steel is used, still I suggest that this particular statement is put in very broad terms indeed.

Mr. Nelson.—We only intended to convey as you have just suggested that it affects every commodity which in its turn means increased wages.

President.—You put the increase in price first and then went on to the increase on railway freights, etc., which suggested that apart from the railway question there were some other reasons for apprehending that the price of every commodity would go up.

Mr. Nelson.—I quite see your point. We had not appreciated that. Our intention was to enunciate the broad general principle.

President.—Take the case of a cotton mill. The import duty on steel would no doubt make itself felt by putting up the cost of the buildings. Is there any cotton machinery made in India at all at present?

Mr. Grantham.—Practically none.

President.—Then, so long as we are at this stage, I take it that the machinery must come in exactly as it does at present and the question would be to what extent the $33\frac{1}{3}$ per cent. duty would increase the cost of putting up a cotton mill. Would it be possible to obtain any figures for that based upon cotton mills that have actually been erected within recent times?

Mr. Grantham.—I should think the Millowners' Association could give you the cost of erection very easily. There have been several mills or mill extensions erected at a fairly recent date.

President.—It is easy enough to remember in a general way that putting up the duty on steel will make things dearer but it is important to try and get at exactly what it actually does mean. However, you think the Millowners' Association would be the best people to approach about that?

Mr. Grantham.—Yes.

President.—In paragraph 6 you doubt if the capacity of the Indian Railways would be sufficient to enable the Indian steel and iron industries to transport supplies to all centres cheaply and quickly. You say that "There is difficulty now in sending out finished products from Bombay, but this would be doubled had the raw material also to be brought in by rail." In so far as that difficulty is concerned I take it that it would mean that Bombay firms would continue to import to a larger extent than they would otherwise do. I do not wish to develop

hat, but is it not probable in these circumstances the Indian manufacturer vould be forced to hold stocks in Bombay, just as the importer does at present, ither by a branch of his own firm in Bombay or by employing one or more nerchant firms?

Mr. Grantham.—Would he not have to catch up that demand before he holds ny stocks?

President.—Undoubtedly.

Mr. Nelson.—You have still got to work up to 400,000 tons.

President.—Yes, but it is a pretty big operation to put 400,000 tons of steel n the market and the manufacturer might be obliged to stock.

Major Richardson.—I think there is every chance that he might stock in Bombay, but as things stand at present, from the manufacturer's point of view, ne does not buy from the stock as the price from stock is always high.

President.—I am looking at it from the point of view of the Tata Iron and teel Co. If they found that they had special difficulty in selling their products Bombay on account of transport difficulties and on account of the competition rom imported steel, because it is at a place like Bombay which is remote from amshedpur and which is absolutely on the seaboard that foreign steel is most kely to be able to hold its own, as a means of self protection might not they e compelled to hold stocks in Bombay?

Major Richardson.—I don't think that affects the question. The stuff has got come in. Whether it comes down now and the Tata Co. hold a stock or hether it comes in later, it has got to be carried once.

President.—Do you mean that the railway transport is uniformly bad? Is not possible to get a lot of stuff through when things are easier and lay in sufficient stock in Bombay to tide over periods when railway communication is locked.

Mr. Grantham.—That would mean that everybody would have to buy from ocks at one time

Major Richardson.—You cannot economically, as an engineering firm, buy stock aterial for any building. When one gets an order for building you utilize a rtain amount of stock material to get on with the job quickly, but 90 per cent. the materials is got from Home or from the Tata Iron and Steel Co.

President.—What I was thinking of was the evidence from Messrs. George rvice and Co. They told us they held three months' supply.

Major Richardson.—They are not structural, they are purely merchant.

Mr. Mather.—They must sell most of their material to people who do the ructural work.

Major Richardson.—They sell it to up-country works.

President.—Of course I fully admit that there are certain businesses for ich you cannot stock things, and my suggestion does not get over the whole fficulty. But to a certain extent and in regard to certain sections it seems to that this could be done.

Major Richardson.—To some extent.

President.—And it might probably be worth while for the Indian manufac-rer to resort to this method.

Mr. Grantham.—When railway transport is congested it is difficult to import. the slack season, especially during the monsoon, everybody would have to y and lay in stocks at one period. That would be uneconomical.

President.—There is another point namely that "the cost of railway trans-rt and the cost of fuel should go down before protection is given." I am t quite sure that I understood what Mr. Grantham had in his mind there. I ke it, however, that it is this that the difficulties under which the steel in-stry is suffering are to some extent due to the difficulty of railway transport d the high price of coal and the only way of removing this difficulty is to nove congestion?

Major Richardson.—Yes.

President.—But supposing these difficulties are not overcome and mean-ile the industry collapses?

Mr. Grantham.—I have held all through that it should be protected by means of a bounty. This does not apply to all industries.

President.—It applies only in connection with the steel industry?

Mr. Grantham.—Yes.

President.—That makes a considerable difference.

Mr. Ginwala.—Major Richardson, I should like to dispose of these figures first. You have pointed out what the Tata Iron and Steel Co. stated in the prospectus which was issued in July 1922. But then their case is this, that just a little before and since then competition from the Continent has become so severe that they cannot afford to continue their industry—that is really what it comes to—and as you know theirs is the kind of steel which comes mostly from the Continent barring rails.

Major Richardson.—Yes.

Mr. Ginwala.—Therefore if we found that with reference to the Continental steel they were unfavourably situated, and that the industry cannot exist at all, would you agree to give them protection to meet the Continental competition?

Major Richardson.—The Continental competition is due to exchange; it is a fluctuating factor.

Mr. Ginwala.—The principal competition at present appears to come from the Continent. You see the trend of prices in the United Kingdom. In January 1922 the price was £9-5-0 and in June 1923 it was £10-10, an increase of 25 shillings.

Major Richardson.—I don't think that is a fair comparison. If you look at the figures between the 2nd week of February this year and the 3rd or 4th week of August—we were unable to get any fixed Continental price at all owing to the troubles on the Continent—you will find that as a consequence of that British manufacturers took advantage of putting their prices up.

Mr. Ginwala.—Take January 1922—there is not much difference. Now take the Continental price. The British price remains steady more or less. The Continental price is £8-15-0 at the beginning of January 1922. It has come down to £7-15-0.

Major Richardson.—That is quite true, but that is mainly due to the exchange.

Mr. Ginwala.—In December 1922 they were still low £6-18-0. Therefore Tata's contention appears to be correct to that extent so far as they are concerned.

Major Richardson.—I don't think you can take it as constant. It is absurd to demand protection because for three or four months in a year the cost of steel is low for some causes outside the country.

Mr. Ginwala.—Exchange is perhaps one of the reasons for asking for protection. Even Great Britain has admitted that owing to a depreciated exchange there is this unfavourable competition.

Major Richardson.—Against that now the Continental prices are up again.

Mr. Ginwala.—These figures are very valuable as they enable us to see what has been taking place in the United Kingdom as well as on the Continent. You say the difference is 45 shillings between Great Britain and the Continent in some months.

Major Richardson.—If you take the majority of months it is 20 shillings.

Mr. Ginwala.—From March 1922 it never comes down below 22/6. You see how the prices are going. They come up and down but they are always lower than the prices in the United Kingdom.

Major Richardson.—Certainly.

Mr. Ginwala.—So that there is a special case, apart from other considerations, for giving some protection to the industry which suffers from depreciated exchange.

Major Richardson.—You must take a fair basis—not particular months when the fluctuation is so great.

Mr. Ginwala.—It has to be provided against in any scheme, must it not?

Major Richardson.—It is extremely difficult to devise any scheme of that sort.

Mr. Ginwala.—In most countries they have taken measures to guard against the condition. In Canada, Australia, America and even in the United Kingdom where the prices have gone down owing to depreciated exchange they have devised special machinery to meet the situation.

Major Richardson.—Yes.

Mr. Ginwala.—I think in reply to the President you stated that the basis of protection approximately should be the difference between the cost of landing in this country and the cost of production. But I think that requires certain modification, would it not? Because if you take that as the exact duty, there is hardly any inducement to the consumer in this country to buy locally manufactured articles.

Mr. Nelson.—As I understood the President's question that was the basis. I only assumed that there would be a trade profit.

Mr. Ginwala.—Taking the general question of protection, I think that you would agree that, if any protection was given, it should be adequate not only for the purpose of enabling the industry to live, but in order that the industry should expand.

Mr. Nelson.—Certainly. We have developed that in our written statement.

Mr. Ginwala.—We must look at the industry as a whole, and the idea of protection is that there should not be a monopoly of which you are afraid, but that there should be some internal competition between rival manufacturing firms. Then there is one other question which presents some difficulty, that is the distance between Bombay and Jamshedpur and Jamshedpur and Calcutta. As you know, in the United States they have found the same difficulty on the Pacific coast which is far from places where steel is manufactured. We have got the same difficulty to some extent in this country. In that case how would you base your protection? You will take the price of landing steel at the ports?

Mr. Nelson.—Yes, *plus* railway charges

Mr. Ginwala.—From Jamshedpur to Bombay or Jamshedpur to Calcutta?

Mr. Nelson.—In determining the import price, we should take, I think, the price of imported steel landed at ports.

Mr. Ginwala.—In the case of Tata's what prices will you compare?

Mr. Nelson—Also their price at the port.

Mr. Ginwala.—It is a question of some difficulty.

Mr. Nelson—Mr. Grantham, I think, is more fitted to argue this point.

Mr. Ginwala.—Supposing the British landed price for the sake of argument is £10, and Tata's say that they cannot produce it under £11. There is a case for one pound there. Then there is the freight from Jamshedpur to Calcutta say, 5 shillings. You will add that and it will be £1-5-0. Take the case of Bombay. The freight from Jamshedpur to Bombay is 25 shillings. You add this to £1 and it comes to £2-5-0. If the industry is going to be enabled to sell its products all over the country, the basis should be £12-5-0, should it not?

Mr. Nelson.—On your showing, yes.

Mr. Ginwala.—Can you suggest any other remedy?

Mr. Nelson.—I am afraid not. We cannot commit ourselves. What you are really asking us to do is to give an expression of opinion as to how much protection is necessary.

Mr. Ginwala.—We should like you to assist us. There is the difficulty that I have pointed out. They can meet competition at the port of Calcutta if the freight from Jamshedpur to Calcutta is added to the difference between their prices and that of the foreign manufacturer. If the industry exists in this country—forget Tata's for the moment—and our idea is that the industry must expand if it is protected—in that case the basis of protection would be the difference in price *plus* freight to the furtherest port at which the industry has got to compete. We will leave out Karachi for the present because it is too far away. Is there any escape from it?

Mr. Nelson.—There is no escape from it if Indian steel is to be used in Bombay.

Mr. Ginwala.—I have got certain figures to show the relative consumption in the two ports. Calcutta is slightly higher than Bombay. The whole of Tata's production could be sold in Calcutta. So there may be room for another steel works. If it came into the field, it must necessarily compete in Bombay?

Mr. Grantham.—There is one possible escape and that is the lessening of the railway freight.

Mr. Ginwala.—Subject to that, may I take it that, in your opinion, there is no escape from a position like that?

Mr. Nelson.—I am afraid we cannot assist you. It is not a point which we have considered very carefully.

Mr. Ginwala.—With regard to the cost to the country, Mr. Grantham, take the normal way of protecting an industry by tariff. Have you gone into the figures to see what the total burden would be to the country?

Mr. Grantham.—By means of tariff or bounty?

Mr. Ginwala.—By means of tariff. Roughly one million tons is used in the country. There is evidence to show that the whole of that cannot be produced because it contains all kinds of steel, but say 60 per cent. is produced for the sake of argument. If Tata's get the whole protection that they want, it would amount to Rs. 35 a ton. Roughly it would be Rs. 210 lakhs. Do you think that that would be a ruinous price spread out over the whole country?

Mr. Grantham.—I consider that an unnecessary price.

Mr. Ginwala.—If protection were given by means of the tariff, that would be the cost in terms of money to the whole country.

Mr. Nelson.—The question is do we consider it too large an amount which would fall so heavily on industries that they would be adversely affected. Our reply is that it is a much larger amount than is necessary under the circumstances.

Mr. Ginwala.—That is the highest figure we are taking. Even on that assumption, the money value of the burden does not appear to be so very heavy seeing that there are such large interests as railways, mills, jute industry, textiles, public bodies and Government. If you spread the amount over all these concerns, it does not appear to be a very big sum and I ask you, would it really have the adverse effect on the country as a whole that you anticipate?

Mr. Nelson.—We say that it would undoubtedly have the effect of increasing the price of all commodities Beyond that we are not prepared to go at the moment.

Mr. Ginwala.—But looking at it from the practical point of view the burden appears so small compared with the total expenditure of the country on various industries that it may not after all have those consequences in the same degree which you apprehend.

Mr. Nelson.—I don't quite follow your argument. The consequences must be there. Neither you nor I can say at the moment what they are going to be.

Mr. Ginwala.—With regard to bounties, I understood you to say that you would favour the grant of bounties on the total, production?

Mr. Grantham.—Yes.

Mr. Ginwala.—You say that at the present moment the production of steel is 1¼ lakhs, but on the assumption that in the end the country will produce the whole of its requirements, you will have to go on increasing the bounties. Is there any expanding sources of revenue at the disposal of the Government of India from which this increasing amount could be met?

Mr. Grantham.—Could you tell us to what extent the bounty would increase?

Mr. Ginwala.—To the extent of production.

Mr. Grantham.—I can only reply that you can get this revenue either by direct taxation or else by an increased tariff on all classes of goods that come into India—not necessarily on steel.

Mr. Ginwala.—Won't it be stirring up a hornet's nest?

Mr. Grantham.—We are not prepared to say which is best.

Mr. Ginwala.—I think that any Government would think very seriously before it increased the tariff all round.

Mr. Nelson.—It has to be considered which is the best method. We are only arguing theoretically as you have very kindly permitted us. It does resolve itself into a very interesting point of economics.

President.—Unfortunately the Board cannot look at the question only from a theoretical point of view.

Mr. Ginwala.—We are trying to get your help in the matter. Where is the money to come from?

Mr. Nelson.—I quite understand that to ask Government for Rs. 2 crores would be an unpopular undertaking at the present moment. Our argument is that whether you make a man pay more for his bread and butter or more tax all round, it is economically the same thing in the end. If we are correct—and you admit that we are correct—that this $33\frac{1}{3}$ per cent. will put up the price of every commodity used by every taxpayer in India, it is surely a matter of very small difference to him as to how he pays that.

Mr. Ginwala.—The general tax-payer may say "why should I pay more tax, it is the consumer who ought to pay." In a democratic country that is often the argument. In that case how is the Government to find the money?

Mr. Nelson.—In that case the only way in which Government could possibly find the money is by a general increase of all tariff duties. Instead of putting $33\frac{1}{3}$ per cent. on one, why not levy a little more on this and a little more on that and thus make it up?

Mr. Ginwala.—You can hardly undertake a general revision of tariff in order to find money for a particular industry.

Mr. Nelson.—I think you are bringing me to a practical conclusion of a theoretical argument.

Mr. Ginwala.—The steel industry is not the only industry which is asking for protection. There may be other industries.

Mr. Nelson.—I quite admit that.

Mr. Ginwala.—If other industries require bounties too, in that case the burden would necessarily increase.

Mr. Nelson.—Yes.

Mr. Ginwala.—Whereas in the case of a tariff, it finds more or less its own solution to some extent.

Mr. Nelson.—That is quite sound On the other hand, you will admit what we are endeavouring to convey which is that we think that it is more equitable to help an industry by means of a bounty.

Mr. Ginwala.—If you have the money, it is the easiest way.

Mr. Nelson.—May I say this? You are dealing with this question at a time of great financial stringency. I am a robust optimist as to the economic future of India. I am perfectly confident, if you were to sit 5 years hence, that there would not be the same difficulty in getting two crores from Government. We must not allow ourselves in a matter like this to live too much in the present.

Mr. Ginwala.—Are you prepared to give any evidence as to the management of Tata's—whether it is economical or not?

Mr. Nelson.—I am afraid not. In fact, if I may say so, we came here hoping to receive evidence rather than give it. We have read all the published evidence of course.

Mr. Ginwala.—All of you have emphasised the fact that you must be satisfied that the management is economically run. Am I correct in stating your position?

Mr. Nelson.—Perfectly correct.

Mr. Ginwala—We would of course welcome any assistance that you can give us.

Mr. Nelson.—We don't consider that all the evidence as to this point of economical management has yet been taken and given to us. We only have Tata's evidence but you will take a lot more. We shall require to read everything that you hear.

Mr. Ginwala.—Have you not considered what was available?

Mr. Nelson.—We have studied everything that was available. We say that there must be more.

Mr. Ginwala.—Have you not formed any opinion on the materials already available? If you have, it will be very valuable.

Mr. Nelson.—I am afraid not. We really have no desire to withhold anything. I ask you to believe that. It is impossible in our opinion at the present juncture to give an opinion worth listening to.

Mr. Ginwala.—This is a statement which has been made very often.

Mr. Nelson.—That is why we wish to be very careful before we give an opinion. At the moment we don't consider that we have sufficient evidence.

Mr. Ginwala.—It is very difficult to find out why this opinion is given.

Mr. Nelson.—Quite so.

Mr. Ginwala.—When the output increases, overhead charges and the cost of production should come down. Is not there a limit? There is an interregnum, there is a stage in which the cost of production goes up before the output increases. Would you make any allowance for that on the assumption that protection was granted?

Mr. Nelson.—I think I should require my colleagues to answer this question. Personally I should require something in the nature of a very sound assurance that that would not be the case before committing myself to any measure of protection.

Mr. Ginwala.—As a business man, you know that when you start your business and the plant that you buy comes into partial operation there is a stage when the cost of production naturally goes up. In ordinary course that must be the case. Tata's are producing 125,000 tons and they expect to go up to 420,000 tons but they cannot produce this quantity all at once. Therefore during the interval the cost of production must go up. You will find in these figures that you have got that part of the steel plant, for instance, has come into operation since 1922 and you see that the cost of production has already gone up.

Mr. Nelson.—If you are approaching this question from a purely business point of view, there comes the question of reserves.

Mr. Ginwala.—The question of reserves assumes that the business has been in existence for a considerable period and has prospered. Does it not?

Mr. Nelson.—That is true.

Mr. Ginwala.—You cannot have a reserve unless you have done your business for a certain number of years and made a reasonable profit. What I am asking you is, in determining the amount of protection to be given to a young industry which has not yet come fully into operation, should not there be some allowance for the increased cost of production which must necessarily take place in the interval?

Mr. Nelson.—May I consult my colleagues? We are unable at the moment to see why there should be.

Mr. Ginwala.—Take any business which you are extending. Your extensions must take some time before they come into full operation. Therefore you would generally spread all your cost of production on the actual earning plant at the particular moment. The earning plant is necessarily smaller than the potential plant. In any business you must charge the earning plant at the particular moment.

Mr. Nelson.—In carrying interest charges on any money that would be necessary to borrow in order to provide large extensions and to bring about the increased production, you will see that the whole thing would go up. The interregnum would surely be a small one.

Mr. Ginwala.—The evidence we had as regards the steel industry is that it will take about five years.

Mr. Nelson.—Five years before they reach their full production!

Mr. Ginwala.—No, before they start production and perhaps a couple of years to reach the maximum.

Mr. Nelson.—Your question is whether your shareholders should be without interest or whether they should be compensated.

Mr. Ginwala.—I have not in my mind so much the shareholders. What I say is that apart from competition, your selling price would necessarily be higher than it would otherwise be.

President.—These extra charges which you have got to incur during the five years or more before you reach your full production, the business has got to meet somehow or somewhere. One way of doing it is to add them to the capital.

Mr. Nelson.—Another way is to withhold the payment of dividends to shareholders.

Mr. Ginwala.—That is what has happened in this case. The Company has been very fortunate. It has been able to get considerable sums of money on which it did not have to pay anything for five years. Suppose there is a plant worth Rs. 10 crores. First of all two crores comes into operation, another two crores in six months' time and another six crores in another six months' time. They have got to increase labour and everything on a bigger scale, so that supposing you find it worth while to protect that industry, would you make some allowance for this interregnum?

Mr. Nelson.—It depends on what the ultimate gain to the shareholders would be.

Mr. Ginwala.—Supposing the Board is satisfied that when the Greater Extensions come fully into operations, the cost of production will come down, or must come down, then to that extent, the country may feel itself justified in giving them more protection now than the protection which would just keep them going. In the end which will be cheaper?

Mr. Nelson.—My difficulty is that I cannot get away from the shareholders. If you are approaching this as a business proposition, it appears to me that the situation is either the Government or the shareholders have got to pay it. If I understand you correctly, you say while they are putting up Greater Extensions, interest will have to be paid and their overhead charges will be increased. If I had a business like that, I should say to my shareholders 'I propose to do this and if you agree you will have no dividend for the next two or three years.' You say Government should pay it.

Mr. Ginwala.—In determining the amount of protection, should you not take that factor into account?

Mr. Nelson.—No.

Mr. Ginwala.—Then the point is: supposing you don't take that into account, how do you expect any other capitalist to come into the field in the present state of affairs?

Mr. Nelson.—It depends on what the ultimate gain is going to be.

Mr. Ginwala.—Do you think that it would be easy for anybody to float a company under these conditions in India unless there was some assurance of a reasonable profit?

Mr. Nelson.—I still think that it depends on the question whether the ultimate gain is going to be big enough or not.

Mr. Ginwala.—Gain to whom?

Mr. Nelson.—Gain to the shareholders.

Mr. Ginwala.—What would you consider a big enough percentage in this country?

Mr. Nelson.—A steady 7 per cent. from the point of view of the investor.

Mr. Ginwala.—5 or 7 years after the business starts?

Mr. Nelson.—No. Your question was what would be a reasonable return for capital in this country?

Mr. Ginwala.—Do you think that that would attract capital to an industry like that in India?

Mr. Nelson.—It entirely depends on the outlook. If the State were to come in and protect it, I should say undoubtedly it would.

Mr. Ginwala.—That is to say, 7 per cent. average?

Mr. Nelson.—Year in and year out.

Mr. Ginwala.—In order that you may give 7 per cent. average, you will have to pay a higher dividend at some stage. That is my point. Therefore at some stage or other, the cost of production must go up a little higher than it otherwise would.

Mr. Nelson.—To that extent there is a parallel in the building up of Railways. A Railway takes a longer time to yield a dividend and the yield is much smaller than anything that has been suggested. There has never been any difficulty in getting money.

President.—The credit of Government is behind it.

Mr. Nelson.—Yes, and the general public.

Mr. Ginwala.—The reason why I am asking this question is this. On the whole, the evidence has been that in this country at any rate it is not easy to attract capital to a new industry at anything less than 10 per cent. This is the first time we hear of 7 per cent. for attracting new capital.

Mr. Nelson.—My statement was a steady 7 per cent. It might be in one year 9 and in another year 6. My proviso is that the industry carries with it the full protection needed.

Mr. President.—For a protected industry?

Mr. Nelson.—Yes.

President.—You would have to raise your capital in the form of preference shares rather than ordinary shares in that case?

Mr. Nelson.—Yes.

Mr. Ginwala.—This argument of yours about monopoly. You rather mean this: that there will be a tendency for the producer to keep up his prices to the fullest level of the duty.

Mr. Nelson.—For the local producer.

Mr. Ginwala.—That is, there would be a tendency for the local manufacturer to maintain the prices up to the fullest extent of the protective duty, but would not that tendency become weak as other manufacturers come into the field?

Major Richardson.—I suppose it would as soon as competition arises, and that will take a very long time, but I think that the great danger here will be the same as in America, that trusts and combinations will grow in India.

Mr. Ginwala.—Our industries are on a quite different footing from what are called Steel trusts.

Major Richardson.—You mean to say that the other makers of steel here will be limited in number anyhow. There will be one or two more and there will be a great tendency among a small number of companies to combine to some extent to keep up prices.

Mr. Ginwala.—Undoubtedly there will be. In that case would you suggest that Government should have some power to stop that combination?

Major Richardson.—I do not see how Government can stop it. I have often heard it suggested that you should stop such a thing, but I do not see how.

Mr. Ginwala.—Do you consider it would be advisable to stop it if such a thing happens?

Major Richardson.—Certainly.

Mr. Ginwala.—In some countries bounties are paid subject to certain conditions. They have laid it down that unless the manufacturers sell at a reasonable price they won't get the bounties.

Major Richardson.—But how are you going to do it, I cannot understand.

Mr. Grantham.—If the dividend to the shareholders is over a certain figure, will you say that you cannot pay?

Mr. Ginwala.—With regard to this railway transport and coal, you do not want to make that a condition precedent to protection?

Major Richardson.—My point was that as long as we were satisfied on these points we should prefer protection by means of a bounty to general import tariff.

Mr. Ginwala.—Can any man foretell what is going to happen to coal or to the railway transport? It would rather be for an indefinite period if protection were to depend on these.

Mr. Nelson.—In the meantime I would give protection by means of a bounty.

Mr. Ginwala.—You would continue protection by means of a bounty so long as the cost of coal and railway transport does not come down?

Mr. Nelson.—So long as it is necessary.

Mr. Ginwala.—But Railways and the coal industry may not bring down their prices.

Mr. Grantham.—There would not be any serious effort made to reduce the cost of coal and railway transport, but the coal industry and the Railways require much steel themselves—one hinges on the other.

Mr. Ginwala.—Do I understand you to say that, if protection was given by means of a bounty the Railway companies and the coal industry would think it worth while bringing the cost down?

Mr. Grantham.—I do not want to make it too easy for the steel industry and I would make them reduce the cost of production by any means. If a general tariff is imposed, that will make it very easy for the steel industry to make profits. The bounty on the other hand will be controlled by Government, and will not be so easy to get.

Mr. Ginwala.—Have you got any authority for the statement?

Mr. Grantham.—The history of other countries has been that it is difficult to remove a tariff once it is imposed.

Mr. Ginwala.—What is the connection between railway transport and coal in that case?

Mr. Grantham.—If the steel industry does not get all they want by means of a tariff, they will try to get any advantage they can get from other industries.

Mr. Nelson.—Bounty is a limited form of protection. They may make serious efforts to affect other industries which are inter-dependent.

Mr. Ginwala.—You mean it will be an inducement for the steel industry itself to make every effort to thrive? That may happen, but also it may not.

Mr. Kale.—In the opening sentence of para. 2 I find a number of propositions laid down and I should like to have a clear idea as to what is exactly meant by these. In the first place you say that a very "limited protection would probably, if carefully applied, be to the good of the country for it might assist in the development of a basic steel and iron industry which although not essential to an agricultural country such as India, would probably further its commercial development." By 'a limited amount of protection,' from what you have already told us, am I to understand that you do not think that $33\frac{1}{3}$ per cent. claimed by Tata's is not really necessary but that something more than 10 per cent. would be sufficient?

Mr. Nelson.—That is put down in para. 3 of our letter "The institution of some protection greater than the present 10 per cent. duty on imported iron and steel may usefully be considered."

Mr. Kale.—That is what is meant by a very 'limited amount of protection?' Further on in the same sentence you say "although not essential to an agricultural country like India." I wanted to know exactly what was in your mind.

Mr. Nelson.—We mean exactly what we have written—that India is mainly an agricultural country and lives on her crops, instead of a manufacturing country.

Mr. Kale.—Take the case of England, or take the case of United States. Were they not agricultural countries in the 18th century before they became manufacturing countries; and according to the theory, protection is required simply because an agricultural country is intended to be converted into a manufacturing country. That is the very object of protection.

Mr. Nelson.—That is of course incontrovertible.

Mr. Kale.—I could not, therefore, understand why you should lay stress upon India being an agricultural country in connection with protection to steel industry.

Mr. Nelson.—I will tell you exactly what we had in our mind when we wrote this letter. Before a case for protection was made out, naturally it was absolutely necessary in the interests of the country that it should be shown that it was for the good of that country and that it should be made a self-producing country. We took India as an agricultural country and we merely wished to point out that as an agricultural country at the present moment we cannot say that on that basis steel industry has any claim for protection. Nevertheless later on we go on to say that this industry if developed may be an asset to the country.

Mr. Kale.—You do not suggest that protection is necessary in a manufacturing country and not necessary in an agricultural country? As it stands it is likely to imply that.

Mr. Nelson.—That never entered our head.

Mr. Kale.—At the close of the sentence you say "commercial development." When you have got an amount of protection for the steel industry, industrial development is probably likely to be furthered. I do not, however, see the force of the word "commercial" with reference to this development.

Mr. Nelson.—What we had in mind was "that would obviously be of commercial advantage to the country." I suppose 'industrial' would be better than 'commercial.'

Mr. Kale.—I thought 'industrial' would be better and hence I asked the question.

Mr. Nelson.—Yes.

Mr. Kale.—We had already a good deal of discussion on the question of bounties and what I want to put to you is this. If the Government of India, that is to say, the Finance Member, who will have to consider the whole question on all its bearings, if he finds that he cannot put on a general tariff on a number of different commodities, then would you consent to his putting on an increased import duty on steel alone? There is something in what you say but there are so many factors which the Finance Member has to take into consideration, the productivity of different taxes, the incidence of taxation on various classes, etc. After consideration of all these factors if the Government of India come to the conclusion that, if they want to raise a certain amount of money, they must increase the duty on steel alone, would you consider that under the circumstances?

Mr. Grantham.—I cannot quite see how we can reply to your question. We can only tell you now that we do not think that a duty on steel is economically good to the country. It is a matter for the Legislature. We have no control over it.

Mr. Kale.—I was putting to you the possibility. We have to consider each question from all points of view.

Mr. Grantham.—For the moment we cannot say more.

Mr. Kale.—But under the altered circumstances would you not alter your view?

Mr. Grantham.—I would not hesitate if there were altered circumstances.

Mr. Kale.—There is no doubt an advantage in bounties but there is an advantage also in the other method, namely, that these taxes which are paid by the people, not knowing what they are paying, are sometimes better than taxes from people who know what they are paying. In the case of bounties people will know what they are paying. From the financial point of view is it not better that people should not know exactly what they are paying? The point is that these indirect taxes, though they mean a burden upon the consumer, are to be preferred owing to the ease with which they could be collected. What is the most eligible method by which that burden could be imposed is the question at issue. It may happen that this indirect method of taxation may be found preferable to any other method of taxation. That is what I am putting to you.

Mr. Grantham.—Quite possible.

Mr. Kale.—When you said that before Tata's got protection Government should assure itself that the cost of production has been brought down to a minimum, I understood you to say, and quite rightly, that you had no detailed information on which to base your opinion of the management of the concern, but I want to know whether you are putting this argument on the general ground, namely, that when a country is asked to make a sacrifice it is but natural that the Government should be expected to assure itself that all possible economies have been introduced by a concern which is asking for protection.

Mr. Grantham.—Yes.

Mr. Mather.—In paragraph 5 the Chamber tell us "it is very doubtful that India will ever be able to supply all the country's requirements satisfactorily." Would you mind telling us just what kinds of steel you think India will never be able to supply?

Major Richardson.—I think what was meant was that the Chamber were not very clear about what Mr. Rainy told us at the beginning—that only such classes of steel as were manufactured in the country were to be taxed.

President.—You had in your mind things like armour plate, high speed steel and so on?

Major Richardson.—Yes.

Mr. Mather.—I am quite ready to accept your statement that for all practical purposes there are certain kinds of steel which India cannot produce in the immediate future. I just wanted to know what these kinds were, whether you contemplated including more kinds of steel there than these special kinds which have been mentioned?

Major Richardson.—No

Mr. Mather.—I would like to ask Major Richardson some questions on the statement of figures he has furnished to the Board—it is one of the most useful collections of figures as regards prices that have been put before the Board. Are these prices you have given from the beginning of 1922 based on market quotations in London for English and Continental steel respectively or are they prices which were actually paid in different transactions?

Major Richardson.—It is a very difficult question to get at. Our London office sent out these prices by mail. They wrote to various makers and tried to ascertain the prices by giving them possible specifications of steel sections.

Mr. Mather.—In quite a number of cases you would actually be placing orders at the time and in that case these prices probably do correspond with actual transactions? In other cases they will be hypothetical?

Major Richardson.—Yes.

Mr. Mather.—I have been comparing these with the market quotations published in the Iron and Coal Trade Review, which are roughly f.o.b. quotations, and if these two sets of figures were compiled on exactly the same basis the difference in price should represent insurance, freight and commission. But I find the difference varies from about 15*s.*, if these were added on to the English market quotation to represent your c.i.f. prices, to about 32*s.* 6*d.* which is the highest. Freight of course has not varied within this period to anything like this extent and therefore it is clear that in some instances the prices are not absolutely on the same basis.

Major Richardson.—I can only tell you that these were the prices that were sent to us.

Mr. Mather.—They do seem to me to confirm the opinion that we had from the beginning that the trade paper quotations were not necessarily the actual lowest prices at which business could be done. In some cases you are able to effect purchases at lower prices than the trade paper quotations of the period?

Major Richardson.—Yes.

No. 88.

Indian Merchants' Chamber.

Written

Statement I.—Original representation of the Indian Merchants' Chamber to Tariff Board, No. T.-870, dated 11th August 1923.

I am directed to acknowledge receipt of your letter, dated 17th ultimo, enclosing a copy of the Press Communiqué, dated the 17th ultimo, No. 36. My Committee have decided to avail themselves of the invitation held out in the said communication by the Tariff Board to those industries which are consuming steel as well as consumers of steel for giving their views as to whether protection should be given to the production of steel in India. My Committee have not the advantage of having before them the suggestions of the manufacturers of steel in this country, but they had an opportunity of reading the evidence given by Messrs. The Tata Iron and Steel Co., Ltd., before the Tariff Commission, from which evidence it was conclusively demonstrated that the steel industry in India was worth preserving against the attacks to which it is at present exposed from dumping by foreign producers; that both from the standpoint of military necessity of the country as well as that of the ordinary consumers in industries of every description, the steel production as a key enterprise has to be saved from the critical situation in which it has been put by the depression of trade after the war.

My Committee would be prepared if called upon at a later stage, to communicate their views on any specific proposal as to the effect of any particular form and degree of protection on prices as well as the financial aspects of any bonus on production which may be given to manufacturers of steel. Both these forms of protection have been warmly recommended by my Committee in principle and I am to convey the decided opinion of my Committee that any temporary increase in prices would be more than offset by the permanent establishment of the productive strength in this direction and that if the consuming public and the industries concerned could put up with very much higher prices during the war there is no reason why they should object to a certain amount of temporary burden for such an estimable object. The probable effect of any duties would be in the first instance to prevent the fall of prices to levels below the working cost of production in this country rather than an actual rise. Even if there is an actual rise, in some of the steel items, the community can, and ought to, bear it on the fundamental principle of protection to industries which involves the initial and immediate sacrifice in order to secure substantial permanent results. The present organization of the steel industry is hardly satisfactory from the point of view of the consumers. Quotations are received in foreign currencies and material is promised for shipment, which for one reason or the other is usually delayed without any redress to the importer. Confirmed credits have also to be opened involving the locking up of good deal of resources, and in case the specifications do not tally with the actual deliveries, the problem of getting adjustments has been found in actual practice to be extremely difficult for the ordinary Indian merchant. Large traders in steel as well as large consumers would, therefore, find a source of local supply to their serious advantage, which they can base as a standard on which they could rely for all emergencies, and dealing through which they would be free from some of the uncertainties and sources of trouble mentioned above.

As consumers of steel, my Committee feel that it is definitely suicidal to wish to acquire any small immediate lots which may have been dumped down by foreigners for their own purposes or inimical programme, when such lots are available at prices below the cost of production of steel in this country. This principle has been recognised to such an extent not only in countries like United States and Japan, who have been vigorously protectionists, but even

in the United Kingdom in some of the provisions of the Safeguarding of Industries Act, 1921, that no Government with any pretence at taking care of the prosperity of the population can allow the consumption of any article in the country cheaper than it can be produced in the said country, or even the country of its origin. Even the Government of Lord Curzon in 1903-04 while remaining staunch adherents of free trade, passed a bill putting countervailing duties on bounty-fed sugar. In actual practice steel, which has been dumped cheap in this country, is not different from bounty-fed sugar. If the foreign marauders, who are dumping down their output of steel on India, were allowed a free hand and if the producing industry in this country were allowed to die out, the consumers would very easily fall into the hands of a ring or trust of foreign steel magnets and would then be subjected to prices which will hit them for very many years harder than any temporary advantage which they can get in the immediate future from the continuance of the present situation.

My Committee are conscious that a few consequential alterations may have to be made in the Tariff system of this country in order to meet genuine complaints from industries using steel for directly productive purposes. These complaints could be dealt with on their own merits in some cases by special transport and other facilities to counteract the rise and in other cases by a definite protection being granted to them also. As a general rule my Committee would not favour a permanent protection, but would favour a sliding scale, by which duties could be levied at the start and would go on gradually reducing at the end of every 5 years until in 20 years they were completely withdrawn by a gradation laid down from the start. The amounts realised by such duties ought to be given to the industry concerned by way of bonus.

Oral evidence of Messrs. LALJI NARANJI and M. SUBEDAR, representing the Indian Merchants' Chamber, Bombay, recorded at Bombay on the 27th November 1923.

President.—Gentlemen, I don't know whether you would like to amplify your statement in any way by making a supplementary statement.

Mr. Subedar.—I should say that the interval which has passed since the statement was written, and all that has been written subsequently, has not changed our views but has actually strengthened us in the views which we have expressed.

President.—It did not occur to me that you would change your views but that you might wish to supplement your statement in some ways, and I thought I ought to give you an opportunity.

Mr. Subedar.—We have nothing to add to what we have said.

President.—No doubt the members of your Committee have read the report of the Indian Fiscal Commission and you remember, I dare say, the conditions the Commission laid down that ought to be satisfied before protection is given to an industry?

Mr. Subedar.—Quite so.

President.—Your Chamber consider that the conditions are satisfied in the case of the steel industry?

Mr. Subedar.—My impression is that the Tariff Commission themselves were absolutely satisfied that the steel industry needed protection and that that is a question no longer open to any enquiry. What is open to enquiry is the extent of protection.

President.—Well, of course that is a point for consideration, but the immediate question is what are the views of your Chamber?

Mr. Subedar.—Our Chamber endorses the views of the Tariff Board that the steel industry is one of such national importance that it should be given adequate protection.

President.—That is the national importance argument, but then you will remember that there were three conditions laid down applicable to ordinary cases, the first being about the natural advantages which an industry ought to possess, the second that the industry must be one which without the help of protection either was not likely to develop at all or was not likely to develop so rapidly as was desirable, and the third that eventually it should be able to hold its own without protection against any competition. Do the Chamber consider that these conditions are satisfied?

Mr. Subedar.—We think all these conditions are satisfied and we would be inclined to go a little further and consider matters which the Tariff Commission had not then considered, that of military defence, as we feel that a large country like this ought not to be dependent in any time of stress on foreign supplies, and the experience of the war—

President.—It is quite clear that that aspect was present in the mind of the Fiscal Commission. They expressly said that where it was a matter of national importance, then the other conditions might be waived. You also attach more importance to that aspect?

Mr. Subedar.—Very great importance.

President.—No doubt you have seen copies of the evidence we took from the Tata Iron and Steel Company?

Mr. Subedar.—Yes.

President.—Are the Chamber prepared to express any opinion as to the amount of protection required in this case?

Mr. Subedar.—Our view is that adequate protection should be given to the steel industry. The best party to judge what is adequate is undoubtedly the manufacturer himself and the Tata Company have made out what we consider a very good case in their evidence before you.

President.—Before we can go any further, is not your statement going rather far when you say that the manufacturer is the best judge?

Mr. Subedar.—The manufacturer would be the party to ask the Tariff Board who would judge whether his request is reasonable or excessively high: that is for the Tariff Board to judge. But in the first instance, how much is wanted, no outsider, no layman, can judge except the manufacturer himself and the manufacturer can make his demand and then on the strength of what he says, and what others say, it is for you to judge. Our view is that the duty they have asked for, taking the current prices, etc., would be adequate provided you gave also additional protection against depreciated exchanges, which also I believe they have asked for.

President.—They have drawn our attention to that point. I see that the view of your Chamber is that the claim put forward on behalf of the Tata Iron and Steel Company is a reasonable one?

Mr. Subedar.—Yes.

President.—That is your view?

Mr. Subedar.—Yes. We would go further and say that it would not do for the Tariff Board to recommend a rate of duty which in actual practice would fail to give necessary protection to the concern.

President.—I think once it is assumed that there is to be protection, protection must be adequate, otherwise the whole effort of this enquiry is infructuous, that is to say, you would have the disadvantages of protection without attaining the object which protection is meant to secure.

Mr. Subedar.—Quite so.

President.—You will remember when the Tata Iron and Steel Company gave evidence before the Fiscal Commission I think their proposal at that time was that the amount of protection needed was 33⅓ per cent., of which 15 per cent. would take the form of a duty and the remaining 18⅓ per cent. should be given in the form of a bounty. Before the Tariff Board, however, they took the line that on the whole it was simpler and preferable that protection should be given simply in the form of raising the tariff duty from 10 to 33⅓ per cent. During the course of our enquiries our attention has been drawn by various witnesses to the possible consequences that measure might have. One of them, and it is a very important one, was the effect it might have on the Railway expenditure and consequently on the Railway freights and fares for passengers. Have your Chamber considered that aspect of the case or have they anything to say on the subject?

Mr. Subedar.—I don't quite follow the question. Do you want to know whether the increase of duty would affect Railway rates?

President.—Of course, it would not be fair to ask you for an opinion to what extent an increased duty would affect Railway rates because it is a matter in which the Railway authorities are better able to help us. But it is rather an aspect of the case I would like to get the opinion of the Chamber about. Supposing that the result was to make a material difference to the railway charges what would the view of your Chamber be on the subject?

Mr. Subedar.—Whether the increase of duty would make any material difference—that is what you want to know?

President.—Supposing it did, do you think it would be a very unfortunate consequence?

Mr. Subedar.—I can't say. I would like to follow the question properly. You are assuming that it would make a difference to railway rates?

President.—Yes, because I do not see how I can put the question otherwise. I should like to have an expression of your opinion whether it would be likely to make a serious difference to the railway freights and charges?

Mr. Subedar.—Well, in the first instance I cannot say that we have come on behalf of the Chamber equipped with a very minute information as to our railway requirements for the next five years, but we understand that there are certain standing contracts on most of the railways for the purchase of their steel from the Tata Iron and Steel Company at exceedingly favourable rates. If these contracts are in existence, we do not see how in the next five years any serious difficulty could arise. On the other hand. we are also inclined to think that the increase of price which the Railways might have to pay on their new steel requirements would be for renewals and for extensions only. How that would affect the entire Railway budget to such extent as to lead to a serious increase of railway rates and freights passes our understanding.

President.—The practice to which you refer affects only certain of the Railway Companies; they do not affect, for instance, the East Indian Railway or the G. I. P. Railway, and in any case that refers only to rails. You are no doubt aware that steel is required by the Railway Companies for many other purposes besides rails. There is a great deal of steel in the Railway wagons. That is a very important item. There is also the question of locomotives.

Mr. Subedar.—Don't they import locomotives?

President.—The question of the locomotives has not yet been fully before the Board, but there is the structural steel they use in stations, godowns, sheds and so on, so that what you point out about the practice only affects a part of the expenditure. But I am not quite sure that I quite got what the opinion of your Chamber is. Is it that you do not think that it would make much difference?

Mr. Subedar.—To the extent that the Railways have the standing contracts, it would not make any difference.

President.—It is obvious. If you can still buy at the same price, of course it would not make any difference: it cannot.

Mr. Subedar.—I believe they are very large quantities. The contracts run into several crores of rupees.

President.—In so far as the State Railways are concerned, you will see from the evidence that in each year the Railway Board have been paying a higher price than is fixed by the contract.

Mr. Subedar.—Have the Board got any evidence from the Railways that the increase of duty will necessarily lead to an increase of rates and freights?

President.—I am afraid it is the Chamber which is giving evidence and not the Board.

We have seen only one Railway Company and the information they gave was very imperfect and all I wish to give you is an opportunity of placing before the Board what you have to say on the subject.

Mr. Lalji.—Your question is whether the increase in the price of steel will lead to the increase of freights, both passenger and goods?

President.—I was quite prepared for you to say that this was a matter on which you were not prepared to express any opinion.

Mr. Subedar.—If you will allow me to re-state the view of the Chamber in summary, what we feel is this, that several of the Railways have contracts and to the extent to which the contracts exist there ought to be no difficulty. Whatever items are required by the Railways collectively outside the contracts would necessarily mean a little larger price to be paid by these Railways. Our view is that if the Railways were to pay that larger price, since the larger price would be paid only on a fraction of the amount of steel used by the Railways, it would not affect the entire budget of the Railways and therefore it ought not to lead to a serious increase. But should it lead to any increase on the public by way of transport then I think the public ought

to be ready to bear that infinitesimal fraction in view of the fact that transport generally would be cheapened in the end in this country. The permanent establishment of a steel industry would not only advance the interest of the Tata Iron and Steel Company but of several other British Companies who are anxious and willing to establish firms in India if protection is given.

President.—That is to say, you think that any disadvantage arising out of the increase in transport charges ought to be faced in order to secure the advantage which you believe will eventually accrue?

Mr. Subedar.—On the other hand, we also think that it would be only fair, since the establishment of the Tata Company has benefited the Railways in the past to the extent of crores of rupees, if, in order to repay the fraction of what they have got in the past, they were made to pay a little more in future.

President.—On the other hand these Railway contracts were not intentional benefits conferred on the Railways by the Tata Company. At the time the contracts were made they and other people thought they were good business, and there is no question of gratitude to them for benefits bestowed. But I quite see your point: what you suggest is that the Railways have been lucky in getting their rails cheap for some years, and they can set that off against any increased price that they may have to pay for certain other articles.

Mr. Subedar—I find that the Company did not try during the war to go behind these contracts and to urge the continuance of these contracts on the same lines as British manufacturers of machinery did. We have cases before us when at the opening of the war British manufacturers who had contracted to sell machinery declined to carry out the contracts or asked for a higher price, and this they were allowed to do under the Defence of the Realm Act. Therefore it is a recognized practice in the United Kingdom not to carry out the contracts since the war was declared.

President.—Do you know the date from which Tatas contracts began to come into operation?

Mr. Subedar.—Tatas have given it somewhere in their representation

Mr. Mather.—The Railway Board's contract was actually signed in August 1920 and operated from 1st April 1920. The Bengal and North-Western Railway contract operated from 1st April 1920 the Burma Railways', and I believe the rest of the Palmer Railways' also, became operative from 1st April 1920. In the case of the Bengal Nagpur Railway the contract was signed in 1916 and it took effect in 1920.

President.—The point is that these contracts did not come into operation until 1920.

Mr. Subedar.—During the war the Company was controlled.

President.—Undoubtedly, and made very handsome profits.

Mr. Subedar.—That is to say, control did not mean that they were getting an inadequate price.

Mr. Lalji.—We think they never got what was the world price.

President.—What was suggested was inasmuch as British Companies by regulations under the Defence of the Realm Act were given higher prices than had been arranged for in their contracts owing to circumstances created by the war, that is not quite comparable to the Tata Company's contracts which did not come into operation till at least a year after the war was over so that the two things are not on the same footing.

Mr. Subedar.—Except in so far as the contracts were made by a manufacturer for delivery and he tried to go behind the contract when the prices went up by unforeseen circumstances, I believe the Tata Company have not tried to do that, at least not to the extent of 70 per cent. They have not gone back, they have done their best to carry them out. I say to the extent to which they offered convenience to the Railways in the past they are entitled to a certain amount of sacrifice from the Railways.

President.—I don't think it is any use using words like gratitude in connection with business. As the Tata Company themselves told us, there is no sentiment in business, and it is really not a question of gratitude. What, I think, was really in your mind is that if the Railways have to pay a higher price for various articles made of steel in future, they can at any rate congratulate themselves that they have saved a certain amount over these rail contracts.

Mr. Subedar.—Yes, that is mainly what we meant to convey. It is not for us to estimate the exact amount of benefit they thus derived in the past from one circumstance or the other.

Mr. Lalji.—While we are on this subject of the Railway freights, both passenger and goods, I would just put in another aspect, that is the business aspect and it is this, that if protection is given (assuming that Companies who are asking for concessions such as has been mentioned in the Tata Iron and Steel Company's letter would come and open iron and steel works here) many Steel Companies would be started here.

President.—This is rather off the subject. We are not on the question just now, we are still on the question of the Railways.

Mr. Lalji.—What I am putting is that I do not understand how the freight would be affected. The Tata Iron and Steel Company have got some concession from the B. N. Railway to carry their own goods, in a business way not in the way of sentiment because they guarantee a certain amount of increased traffic. Similarly their expenditure would go down and they would be able to carry traffic at a cheaper rate owing to increased production of steel as the Railways will in that case get more traffic and there would be no reason why they should increase the freights because they would have to pay more for the steel as a result of 33⅓ per cent. duty, that is an addition of 23⅓ per cent. to the present duty.

Mr. Subedar.—The increase in the traffic would be so much that it would be to the benefit of the Railways.

President.—I take it that you will admit that any new steel works that are erected must be in the vicinity of the coalfields and the iron ore deposits. That would mean that the increased traffic would come almost entirely to two Railways, the E. I. Railway and the B. N. Railway, and I don't think it could be said that any other of the Railways would benefit in any way because all that they would have to carry would be the finished goods and it is of no interest to them whether they are imported or come from a place like Jamshedpur. It does not mean increased traffic for them.

Mr. Subedar.—We must consider the Railway system of the country as a whole. I am afraid we cannot consider the exact effect on each distinct Railway when a general question of national policy arises, as it is not possible to give attention to the revenue side or the expenditure side of each little strip of Railway. But if we have cheaper rail production in this country, and increased traffic generally, and cheaper wagons, cheaper locomotives, which will come to be built sooner or later, these ought to re-act favourably on budget of all Railways.

President.—I think it would be a mistake to put too much stress on that aspect of the subject because after all freight and so on is going to be limited to a particular area on the raw materials and importations of machinery and so on and the distances will not be very great. There will be great density of traffic over a comparatively short length in that one neighbourhood.

Mr. Subedar.—Radiating from Jamshedpur right down to Madras and Travancore on the south and the North-West Frontier Province.

President.—That does not really help the Railways. They carry the steel at present and it makes no difference whether it is made in India or imported.

Mr. Subedar.—At present it is small journeys from several ports instead of long journeys from one centre. I am afraid I am not an expert on calculating running of ton miles, but if somebody did calculate and if the

Tariff Board cared to enquire, they would find that the Railways would not be losers in the end in the actual volume of traffic but would be gainers.

President.—I quite understand the argument that in the long run, once the protection of steel in India has been put on a firm basis, there will eventually be actual economy, but I don't think it does to undervalue the possible effects on Railway expenditure during the intermediate stage. I think that is a very serious aspect of the case which requires to be considered.

Mr. Subedar.—In order exactly to consider the incidence, one would want to know the amount of the new Railway expenditure, and since that amount in relation to the entire Railway expenditure would be very small—

President.—Supposing it were ascertained that the effect of the duty meant a substantial increase in railway expenditure and were likely to mean a substantial increase in rates and fares, on that basis have the Chamber anything to say?

Mr. Subedar.—We would not grant the assumption that there would be a substantial increase in rates and fares.

President.—I am putting it to you hypothetically—it is quite possible that in a few weeks time we may be able to put it more definitely. The only thing was that I wanted to give you an opportunity to say anything, but I gather you have nothing to say?

Mr. Subedar.—We have already suggested that, if the increase is small, we would countenance that increase in view of the advantages which the Railways themselves and this country will be able to reap, but on the other hand, we are not prepared, and we do not agree at all, that the increase would be substantial. If a representation is made by the Railways to that effect—we have not seen that—we would express our views on that point if a reference was made to us after the representation was received by the Tariff Board.

President.—I gather you are not prepared to go any further than you have gone already. There is another point which has been impressed upon us and that is the effect upon industries generally which a higher price of steel would be likely to produce. That is to say, as regards factory buildings it would mean that they were going to cost more and as regards at any rate a part of their equipment they also might cost more. Well, do the Chamber think that this is likely to happen?

Mr. Subedar.—Well, the view of the Chamber in this connection is this: New factory buildings are likely to have to pay a little more, but the excess which they will have to pay is very much exaggerated. A factory does not buy steel as it is turned out by the steel works. It only buys manufactured steel, *viz.*, the finished truss for the roof and things of that kind. In the price of the finished article, there is labour, there is supervision and there are various other items and the actual price of steel is a small item. An increase in that small item would not in our opinion be so serious as to lead to any hardship on industries. Further we also think that in view of the benefit which might accrue to industries generally who are using steel of many kinds, not merely beams and other things but who are using rolled steel, shafts, etc., which are not at present being made in India, it would be an advantage to have the possibility of the manufacture of these steels opened up in India. Now superior steel cannot be manufactured in India until the question of making ordinary steel is settled.

President.—The proposals that are before the Board do not extend to granting protection to kinds of steel that are not made in India now.

Mr. Subedar.—We are not advocating it either. We say that if the current manufacture of steel is in any way endangered so as to be discontinued, then the possibility of making superior steel is absolutely finished. There is no possibility at all. In order to have that superior steel ultimately manufactured in this country what we want to do is to preserve the existing steel industry in this country. A further point I wish to make in this connection is that very many industries have risen in the last few years

when prices of steel had increased enormously from about Rs. 4-8-0 a cwt. to about Rs. 24 a cwt. and it has not proved deterrent.

President.—What kind of steel are you referring to?

Mr. Subedar.—I am referring to steel prices generally, beams, girders, angles, etc. For our purposes it is quite enough if we confine our remarks to one particular kind of steel. We say that the price ranged from Rs. 4-8-0 to Rs. 6 before the war and it went up to Rs. 24 during the war and even then various industries and other consumers were willing to pay these prices.

President.—It is hardly a case of willingness. They had to pay it.

Mr. Subedar.—Many industries, you will find, did arise during the period when prices were rising and they were not deterred. It was not an undue burden at that time and if it was, they bore it cheerfully, though the rise was due to extraneous reasons. I don't see how a small increase from the price of Rs. 8 to 11 or so could be a very serious matter when the object for which this increase is imposed is of such national importance.

Mr. Lalji.—When you are considering the question of cost to factories, I may say that if the factory cost Rs. 100, the cost of the building, including steel, will not be more than Rs. 20. In this Rs. 20, there are various other items, *viz.*, labour, bricks, etc. If the duty is increased to 33⅓ per cent, it will only mean an increase of two or three rupees. This additional burden can be cheerfully borne in the hope that we will be able to save much in the future when the steel industry is firmly established in the country. We need not have to depend then on foreign countries for small things. So, purely from the business point of view, and not from the sentimental point of view, we can pay two rupees more in the hope that we will be able to save 45 or 50 in the future. During the war, deliveries were not made for two years by manufacturers in the United Kingdom. I can give my own experience. I ordered machinery sometime ago and it has not been delivered. The reason was that prices were very low. They want to take their own time. All these difficulties will be avoided if these things can be had in the country itself.

President.—The only point I want to make in this connection is this. If we are again involved in another war, the steel works will be controlled within 24 hours after the outbreak of war, and there will be no question of getting your supplies.

Mr. Subedar.—All the steel works would be controlled!

President.—Yes. It would not enable you to get over the difficulties that you experienced during the war. I quite recognise that it must be of assistance to industries if steel manufacture is established in the country. At the outset there may be difficulties in this way: that so long as there is only one firm producing steel, it won't be able to produce steel of every shape and size you want and therefore it may very often actually take longer and it may be more difficult to get what you want. Difficulties of this kind will only disappear when the industry has become firmly established and there are several producers in this country.

Mr. Subedar.—Yes, several firms competing with one another.

President.—I gather in any case, whether an industry uses steel as a raw material or whether its position would be embarrassed by the rise in the price of the raw material making it more difficult to compete, you consider that assistance ought to be given?

Mr. Subedar.—You now mean subsidiary industries or engineering firms?

President.—Take the engineering firms. You recognise that if they are hard hit by having to pay more for their steel, it establishes a fair case for granting assistance in some form to the extent necessary?

Mr. Subedar.—I would like to understand the question. Against the importation of the finished article manufactured from foreign steel which is prevented at the port until it has paid 33⅓ per cent. they should be protected?

Mr. Ginwala.—What do you mean by "prevented at the port?"

Mr. Subedar.—We hold on to what we have said. I would make this point clear because it is a very small point. We hold to our views that consequential alterations may have to be made in the tariff system. If a pick-axe made in England from steel—which if it came here as steel would have to pay 33⅓ per cent.—would be delivered in India much cheaper than the internal price, then we hold to our view that it ought to be protected.

President.—That is all I was putting to you.

Mr. Subedar.—It does not come to structural steel, except in so far as the price of finished structural article is also affected. My view is that in the structural steel, labour is a bigger constituent than steel. But we hold to the general principle that this industry would need a certain amount of consequential protection.

President.—What is sometimes called "compensating protection"?

Mr. Subedar.—It does not necessarily come to 33⅓ per cent. It comes to a very small protection in some cases.

President.—It may vary a great deal in some cases. We are gathering information on that point. Unquestionably if it is merely a question of compensating the other industry for the higher price of steel, it can never amount to the full amount of the duty. That I think is clear, that is to say, if they work on raw steel.

Mr. Subedar.—The greater the work, the smaller the percentage of rise.

President.—I want to turn now to what you have said about dumping. What I think your Chamber has in view is that, apart from the main protective duty which would be intended to cover what I may call the normal price of imports, the protection recommended would be based on some price taken as the normal price of imports.

Mr. Subedar.—If you will allow me for one moment to go back to what I said at the start, we want that adequate protection should be given to the industry because we don't want the industry of the country to be exposed at any time to attacks from outside, and for that purpose we would like a certain amount of elasticity in the tariff arrangements of this country. What may be a normal import price to-day may not be so to-morrow on account of enormous fall in exchange; it may not be so on account of freight war between two steamer companies; it may again vary on account of auction stock which the banks may buy out in the other end. It may vary for many reasons and it is not fair that the industry of this country should be exposed, and should have all the time threatened against it this sort of depredation from foreign manufacturing countries. There may be a trust at the other end. All these possibilities have to be seen.

President.—All this has already been said in your written representation I think that it would be better if you would allow me to put my question I was trying to state your general position that apart from the main protective duty, there should be some machinery to put an extra duty, is that it, in order to meet the invasion of India by steel of an unusually low price?

Mr. Subedar.—That is right.

President.—What I was trying to point out is this: that if you make the principal duty large enough to cover the whole of that, then when prices rise, protection becomes grossly excessive. Let us assume, for instance, Germany started sending steel at £5 a ton. In order to protect the Indian manufacturer, you might have to put a duty of Rs. 120 or 140. Obviously that would be grossly excessive if prices went up a good deal higher. It is almost necessary in proposing the principal rate of duty to make some assumption as to the normal price at which steel is likely to come into the country. I gather that you consider it necessary to provide in addition for an extra duty to be imposed under abnormal conditions when the price drops to an unusually low level. That is your general idea?

Mr. Subedar.—Yes.

President.—I do not know whether you have thought it out in detail beyond that.

Mr. Subedar. Our committee has not gone into that detail as such, but I have noticed the suggestion made by the Tata Company to revise the tariff every three months to the extent to which there may be exchange depreciation. They have only taken one case. I have put forward several cases in which there may be unfair competition. They have said that you should revise the tariff every three months and impose an addition on to the old rate in order to cover the amount of competition offered by Continental and other countries. That is one method. We have no objection to that method. Of course, a certain amount of hardship for a month or two or for a small period is bound to arise until the adjustment comes to be made. No matter what the kind of machinery is, a certain amount of hardship is inevitable.

President.—If there are going to be frequent changes in rates of duties, that is not good for trade. It makes it very difficult to carry on business at all. Unless we can secure a certain amount of stability, we shall hamper business very badly. That is a point to be taken into account, is it not?

Mr. Subedar.—For that purpose what we would suggest is that the normal rate should be enough to provide for all normal disturbances and normal occasions of unfair competition. As for the abnormal, I think that Government must have a machinery. If there is a machinery, the foreign Syndicate or the foreign producer will be always afraid "It is no use trying to attack the country as its Government is wide awake; if I make an unfair proposition, they will come down on me." I think that the occasions for interference will be small if the machinery is effective. If the machinery is effective, elastic and always ready to act, occasions for interference might be smaller. It is like a country keeping its army ready. Nobody will attack that country knowing that its army is ready.

President.—Now on this question of dumping: do you consider it dumping if a country is selling articles more cheaply for export than for domestic consumption? Is that generally what you mean by dumping?

Mr. Subedar.—That is one case. In that case the manufacturers are making their profits locally and are selling the surplus out at a lower rate of profit, or at cost, or at below cost. It does not matter whether it is lower profit or below cost. So long as there is a differentiation in price in their own country and abroad, we think that it is objectionable. It is certainly a case which requires looking into from the point of view of India.

President.—You have used some hard words. You have said "foreign marauders."

Mr. Subedar.—I have used them in industrial sense.

President.—I am not complaining at all. Have you any idea at what price the Tata Iron and Steel Company sell their pig iron for export?

Mr. Subedar.—If Tatas are forced to adopt the same tactics as foreign manufacturers, I hope it would not go against them.

President.—Do you regard it as an immoral practice?

Mr. Subedar.—I regard it as a practice which I would not allow a foreign manufacturer to inflict on manufacturers of my own country. It is the duty, I believe, of every Government to watch out and to protect the nationals of that Government against such a practice.

President.—After all, what I am really putting to you is this: it is very easy to use hard words, but as a matter of fact it is done by every manufacturer in every country in the world whenever he sees a chance of making some money out of it. I should expect that the Indian steel manufacturer would be doing precisely the same thing in the foreign market 15 years after the grant of protection.

Mr. Subedar.—If those countries will allow?

President.—I understand that you give a broad interpretation to the word dumping.

Mr. Subedar.—We think that in the unsettled conditions of the world, dumping is a phenomenon more likely to arise than it has done in the past and for this a definite machinery should be established to look after the industry.

President.—I quite understand your position. But, I think, it is going a little too far to say that it is dumping when any article is imported into the country cheaper than it can be produced in that country. That is hardly dumping.

Mr. Subedar.—I would say this. If you allow me to take for instance the question of cotton trade with which we are more familiar: if Japan takes our cotton from here and sends yarn at a price at which we cannot produce the same yarn, I would object to the entry of that yarn altogether.

President.—You can object to you. It would be a case for protection, but it would not be dumping. Supposing the foreign manufacturer in this case is making a fair profit and sending it here at the same price as he is selling in his own country, you may say "we ought to be protected." It is no use calling it a case of dumping. You are giving the word too wide a meaning. It covers a great deal too much.

Mr. Subedar.—In the case of yarn, inasmuch as he buys the cotton in India under the same conditions as the Indian manufacturer, he will not be able to send yarn into this country at a cheaper rate without direct or indirect advantages given to him by his own Government.

President.—I am not going into the question whether he can or cannot.

Mr. Subedar.—In his balance-sheet he may show profit. But that arises from advantages given to him in one form or another which the manufacturer in this country has not enjoyed.

Mr. Lalji.—When we are on the question of dumping, I would like to say this. The selling price consists of many things, the cost of making the article, freight, insurance and other charges. In the case of yarn referred to by my colleague, I will draw your attention to the fact that the Japanese manufacturers are getting subsidies.

President.—Please don't go into the question of cotton trade. We are now concerned with steel.

Mr. Subedar.—The same remark applies to steel. If the foreign manufacturer is making a reasonable profit from facilities which his Government has given him—the moment I discover this I would call it a dumping.

President.—I must frankly say that in my judgment you are making the word absolutely useless by giving it a meaning so extensive. There are lots of cases where some country possesses great natural advantages for a particular manufacture and in such cases it might easily be able to undersell the manufacturers of any other country without a question of dumping arising at all.

Mr. Subedar.—If it was a question of natural advantages, I would not go into that. If there is an export bounty, I would call it a dumping.

President.—Export bounty is a totally different matter. Then you say "if the producing industry in this country were allowed to die out, the consumers would very easily fall into the hands of a ring or trust of foreign steel magnates." Do you think that it is at all likely that the manufacturers of England, France, Germany and Belgium would combine to form a Syndicate or ring?

Mr. Subedar.—Manufacturers may not, but Steamer Companies may.

President.—I must quite definitely ask you to answer my question. It has reference to a statement made in your letter. Do you think that it is at all likely?

Mr. Subedar.—We have seen alliances and trusts of great magnitude operating in the world particularly in the oil trade. It is something scandalous. They have divided this country. We have seen rings of this magnitude in certain trades affecting this country. We fear that such a thing might arise in the case of steel also.

President.—Do you think that it is at all likely that the steel manufacturers of the four countries I have named would combine to form a ring?

Mr. Subedar.—It is one of the contingencies for which the Government of India must be prepared.

President.—Do you think it is likely?

Mr. Subedar.—In the world many things have happened which we never thought would happen. The oil companies have combined.

President.—Do you think this is likely?

Mr. Subedar.—What I say is this: that combinations may take several forms. If the form is price fixing, certainly it is an every day occurrence.

President.—I am afraid I must repeat my question. Do you think this combination is likely?

Mr. Subedar.—I think the Government of India ought to be prepared for it as one of the possibilities.

President.—But I am afraid you cannot guard against all possibilities you must prepare yourself against probabilities.

Mr. Subedar.—We have made this remark with reference to the catastrophic condition of the country as regards the steel trade. If the steel industry dies out in this country and if the consumer is left to draw his supplies from abroad that means a catastrophe. If the Government of the country is so inclined to allow the steel industry to die out—which I am sure they will not do—the other contingency might also arise.

President.—Do you think that the steel manufacturers of these four countries would form a ring?

Mr. Subedar.—We think it quite likely.

President.—Having regard to the political history of the last few years?

Mr. Subedar.—Having regard to the economic condition of imported articles in this country in the past.

President.—At the end of your representation you say "As a general rule my committee would not favour a permanent protection, but would favour a sliding scale, by which duties could be levied at the start and would go on gradually reducing at the end of every five years until in 20 years they were completely withdrawn by a gradation laid down from the start." Do you think that is really a feasible proposition?

Mr. Subedar.—That assumes continuance of normal conditions.

President.—Are we assured of anything at present except abnormal conditions?

Mr. Subedar.—We are not.

President.—Theoretically a scheme of this kind would be advantageous, but practically, do you think it possible to foresee with any amount of accuracy what the course of price is going to be?

Mr. Subedar.—It is not possible to foresee the establishment of normal conditions for some years and until that contingency arises what is wanted is for the Government of India to watch over it rather than making this sort of simple arrangement.

President.—I am glad you take that view. It is not possible in the present economic state of the world to foresee even for a year ahead what the economic position will be and it is quite impossible to look forward for 20 years. There is also another aspect of it and it is this: we have been told by a firm contemplating in certain circumstances the manufacture of steel in this country that it may be five years from their starting the construction before they would be producing steel on any appreciable scale. If they make a five years interval like that they would just fail to get the benefit of the higher rate of duty at first.

Mr. Subedar.—There is the other suggestion. We start with the assumption that adequate protection should be given to the industry of the country What we meant when we wrote the letter was that we should like to see the

manufacture of steel in this country established in such a robust position that they could hold their own in normal times against any foreign competition, and we would like therefore, not a Tariff Board to be erected and maintained for all times permanently, but we would like to warn the industries "this is a temporary protection and you must try to bring down your cost and generally adjust your industry to the advances made by the world industry in your line and with these adjustments you should ultimately depend on your own way." We think that the manufacturers would be able to hold their own when they produced in larger quantities and when they settle down, when their labour is trained and people have learned to rely on them. All these will require some years. We think that the total requirements of India could not be satisfied from India during these few years. We do not want the Tariff Board to suggest a duty of 33⅓ per cent. for a period of years.

President.—In the very last sentence of your representation you say "The amounts realised by such duties ought to be given to the industry concerned by way of bonus." Is what you contemplate some combination of higher import duties and bonus, *i.e.*, that protection should be given partly in one form and partly in another?

Mr. Subedar.—We had two cases in mind at the time of writing this letter. One was the continuance throughout the year in the market and elsewhere of normal conditions. Under normal conditions, the rate of duty which you would fix would be adequately protective, but, should other circumstances arise which require the industry to be helped in other ways, then this was to be an indication as to the source from which the Government of India might raise the money to help the industry. If you ask us what the other circumstances would be, there are many and I shall describe them.

President.—You mean the circumstances which might arise out of dumping. So you will use your bounty as an emergency measure. It is a difficult proposal because it means asking the Finance Department to provide the extra sum of money at a time when it was not possible to do it.

Mr. Subedar.—If it were earmarked for the purpose it would not be so difficult.

President.—I think there would be difficulty in a proposal of that kind because in the case of all imports of steel you would have to distinguish between the 10 per cent. and the balance of the duty. The Finance Department will say at any rate we are entitled to 10 per cent., as we were getting before, and that would lead to a complicated machinery of administrative system in a country like this, so that for practical purposes I do not think that a bounty could be used as an emergency measure. If it is to come in at all, it should come in as part of the ordinary system, but I would like your opinion on the question whether it is desirable that protection should be given partly as bounties and partly in the form of a duty.

Mr. Subedar.—We think adequate protection should be given. We are opposed to bounties because bounties would mean, for one thing, getting money, which means that everybody concerned with it would be up against the Finance Department—a formidable body to meet under all circumstances even for a very worthy object. We would, therefore, ask the Tariff Board to make a recommendation of a simpler character for a definite rate of duty The additional remark which we have made here is that all that is realised by the 23⅓ per cent. additional duty should be set aside in the form of a fund from which Government may draw for supporting the industry under emergencies which might arise hereafter. The nature of this emergency we have already indicated in the disturbed condition of the world and in any emergency, if the steel industry was left exposed even after the 33⅓ per cent. was imposed, then the whole object of protection which it is now sought to be given would be lost. In order that it may not be lost, we have suggested earmarking all these sums in a separate fund and if it is unexpended at the end of the year the Finance Department would get hold of it. If there is any occasion to spend it for enabling reasonable conditions of competition to be established in this country then we suggest that it should be so spent.

President.—I understand the proposal but I am afraid it is not very practicable. May I take it that the Chamber are opposed to make the bounties as part of the system of protection except for some special purpose, *i.e.*, for some emergency?

Mr. Subedar.—If you will allow me to say that, the view of the Chamber is that a system of tariffs is preferable to a system of bounties as a normal measure of protection to steel or any other industry and, if a system of bounties is to be established to supplement the system of tariff which is the normal machinery, then we would not object to it.

Mr. Ginwala.—Have you seen copies of the proceedings so far as they have been published including Tatas' evidence and Tatas' documents?

Mr. Subedar.—We have received Tatas' evidence which we have read through merely to supplement our information on the subject, but as for the rest of the things we have only seen the newspaper reports.

Mr. Ginwala.—You understand that one of the factors which would count in making any recommendation that may be necessary is the cost of production of steel in this country and practically all the evidence that we have had on the point up to date is with you and I expected that the Chamber would be able to assist the Board in coming to some conclusions as to whether the costs of production are reasonable and whether the management is efficient, but I see you have not given any opinion on these very important points.

Mr. Subedar.—We are giving our evidence very largely as consumers, and on the production side we take it that a very large amount of technical knowledge will be necessary as well as you will have to have in your hands comparative figures of production costs elsewhere and I take it that the Tariff Board is sufficiently assisted in this respect by its Technical Expert.

Mr. Ginwala.—We shall do our best in that way. But every witness that appears before the Board refers us to the same source of information which is that they have not got any information and we must find that out for ourselves.

Mr. Subedar.—If your question is whether the management of the steel industry at the hands of the Tatas is efficient and businesslike, we certainly do think so.

Mr. Ginwala.—Is it based on an examination of the evidence of which you have got a copy?

Mr. Subedar.—We glanced through the evidence but we have certainly not had the benefit of looking into the accounts of the working of the firm and we cannot go so far as to say whether the present cost of production is proper, or whether it should be below or above, but we have got before us here a statement made by an English firm four years ago in which the English Company said that in the present condition they were not prepared to put down any plant for producing steel in this country.

Mr. Ginwala.—My point is that you are a very responsible body whose opinion would be very valuable to us in the one particular direction that we wanted, but the Chamber has not given us any opinion.

Mr. Subedar.—We have given our general opinion in the introduction to our statement.

Mr. Ginwala.—At the time you sent in your written statement you had no materials on which you could give an opinion on this point. But you have got all the materials now. Do you not think that we are entitled to your assistance on that point?

Mr. Subedar.—If you would like to ask us, we can only reply to this question in general terms. As business men our opinion is. ....

Mr. Ginwala.—We want your opinion on the basis of the evidence as corrected by any other information you may have as a responsible body.

Mr. Subedar.—We have not gone through the evidence except to check a little of our information from other sources. We have used that evidence

as an additional source of information rather than in the same critical spirit as you expect us to look at it.

Mr. Ginwala.—So far as Indian commercial opinion goes, your Chamber represents a very responsible body and as such we feel that we ought to get assistance from your Chamber on an examination of such materials as are available.

Mr. Subedar.—If I may put it to the Board, you do not expect gentlemen not associated with any particular industry to be able to criticise the cost of production of any industry with the same expertness as people connected with that industry might. If you take cotton, my friend here will be able to help you: if you take the rubber industry, I may be able to tell you minutely. But in the same sense you cannot expect us to give an opinion about the steel industry.

Mr. Ginwala.—Take the question of depreciation, interest and reasonable profits. These are points on which business men like you ought to be able to guide us.

Mr. Subedar.—If you want general views I shall give you. I understand that the steel industry is one which involves a lot of risks and which everywhere in the world is subject to much vicissitude of fortune. The steel industry is suffering in other countries also and it appears that even the Government of England is now trying to offer adequate protection to steel industries.

Mr. Ginwala.—I do not want purely general considerations. We want to get more or less your opinion on the materials that are available to us with reference to this particular industry as it exists at the present moment.

Mr. Subedar.—We find that the Tata Company have revised the list of employés and they have substituted Indians on a lower pay than what they were paying to foreign employés: we have also the evidence of sound businesslike practice in various other ways. We can tell you that the management is not at all lax or backward. We think there are grounds on which they are entitled to be protected against dumping from abroad and so far as this is concerned—it is one of the principal grounds—questions of the cost of production and internal management do not arise. To put it briefly, we have not gone into the question of cost of production in that detail and would only draw the attention of the Board that several elements of that cost, *viz.*, labour, rents and taxes, chemicals, freight, etc., have, according to their information, risen in price during the last few years, through causes over which the management had no control.

Mr. Ginwala.—It is no use pursuing the discussion.

Mr. Lalji.—I understand you want the opinion of our Chamber on the question whether the cost of production of Tatas is reasonable from a business point of view. Our committee as a committee has not considered this question at all and we are not here to offer any opinion on behalf of the committee on the question. But if you want the individual opinion of any of us we would like to give our opinion, but it is not a point which was considered by the committee at all. You will notice that that has not been referred to at all in our statement.

Mr. Ginwala.—It is rather a pity. It would have been of great value to us. I do not think it necessary to ask you for your individual opinion because you have come here in a representative capacity.

Your letter is more or less written with reference to the protection to the main steel industry, but you have not dealt with the subsidiary industries, which are of great importance.

Mr. Subedar.—We have merely touched on them.

Mr. Ginwala.—You have been following more or less the reports in the newspapers and you know the wagon building industry is also asking for protection. Do you consider that wagon building is an industry of national importance or not? Apart from its economic importance, would you assist that industry in the country?

Mr. Subedar.—We have dealt with the steel as you say largely. We have not dealt with wagon building except in so far as it arises consequentially, that compensating addition as the Chairman pointed out ought certainly to be given to the wagon building industry.

Mr. Ginwala.—So far as compensating protection is concerned, it is comparatively a small point. Apart from the fact that the cost of raw materials would go up, the question arises as to whether these people who claim protection apart from that ought to get it. I am asking you whether they ought to be treated on the same footing as the steel industry.

Mr. Subedar.—We think the claim of the steel industry is undoubtedly paramount. The claim of the other people has not been dealt with in such detail as to enable us to judge the degree of protection that should be given to it. We know that their general desire for protection ought to be encouraged.

Mr. Ginwala.—We have not dealt with this in all the same detail as the steel industry, and the newspaper reports may not be of much help. But do you think that the wagon building industry should be dealt with in the same way as the steel industry?

Mr. Subedar.—We should like to see the wagon industry established in this country, and the State ought to encourage that even if it involved a certain amount of outlay.

Mr. Ginwala.—Would you give them adequate protection in the same way as you suggested for the steel industry?

Mr. Subedar.—Certainly.

Mr. Ginwala.—Does that argument apply to some of the other industries such as wire, nails, agricultural implements, etc.?

Mr. Subedar.—The case of each of these industries will have to be examined by our Chamber properly before we can say that adequate protection should be given to them, but in general we have every sympathy with their demand.

Mr. Ginwala.—The President asked your opinion on the effect that this protection may have for instance on Railway rates and you said that in your opinion the increase would be infinitesimal, so small that it ought not to matter, but have you looked at the figures of Imports of Railway materials for instance?

Mr. Subedar.—I was taking the figures of new Railway materials as compared with the total assets of the Railways.

Mr. Ginwala.—May I just give you the figures to clear the point. At present the Railway budget is made on the assumption that Railways do not pay any import duty—of course they were paying but they have stopped it now—so that whatever duties you now impose will have to be paid by them and their future budgets will have to be modified to the fullest extent of the duty that may be imposed on steel assuming that they are also compelled to pay like other individuals.

Mr. Subedar.—Would you not make any distinction between the items of Railway imports which go to the capital account and those which go to the revenue accounts?

Mr. Ginwala.—I shall give you approximate figures from which you can see the demands. Take the year 1922-23, Railway plant and materials came to Rs. 11 crores—of course that does include wooden sleepers and so on, but these are very small. For the Government Railways it came to Rs. 2·35 crores for 1922-23. That makes Rs. 13 crores.

Mr. Subedar.—If you will allow me I should like to say that these materials include about Rs. 50 to 60 lakhs of rubber and other small items, which are purchased by the Railways.

Mr. Ginwala.—This is chiefly steel such as locomotives, carriages, wagons, rails, bridgeworks and so on.

Mr. Subedar.—They also include all sorts of materials such as rubber, paint, lubricating oils and miscellaneous stores, etc.

Mr. Ginwala.—This is within the Iron and Steel items. I am just giving you the figures. If you add 33⅓ per cent. to that, it means about 4 crores per year. Don't you think that if the expenditure on Railways is increased by Rs. 4 crores on these items only it will make a substantial difference in their budget?

Mr. Subedar.—I think that the figures for 1922-23 are likely to be influenced by the Rs. 150 crores programme, the bulk of which is capital programme and I should therefore say, if you will allow me to make my own guess, which if the Board liked, it could have checked by the Railway Board, that instead of the additional four crores there will be only about 1 crore which will go to revenue account and the increase of 1 crore in the Railway expenditure is one which ought not to lead to any serious increase in rates and freights.

Mr. Ginwala.—You know the total deficit of the Government of India was not much more than Rs. 3 crores and so you cannot say that a difference of Rs. 1 crore ought not to matter.

Mr. Subedar.—I did not say it ought not to matter but I said that it ought not to make a substantial difference to the rates—granting that the figures on which we are working are correct.

Mr. Ginwala.—These are figures from published documents.

Mr. Subedar.—So they are for the ordinary consumer also. I think steel imports have generally fallen in tonnage and risen in value.

Mr. Mather.—The inference I draw from that is that the consumption of steel by the Railways as shown by the imports of 1922-23 is probably not an abnormally high one.

Mr. Subedar.—As we are reckoning in money, as the gentleman of the Tariff Board is questioning us with regard to the money difference on rates, I think that it works more in our favour.

Mr Mather.—You think it is going to fall in price?

Mr. Subedar.—Under the same rate of imports certainly there is a tendency for the price of steel to fall.

Mr. Ginwala.—If you take the total pre-war figures they come to 14 crores of rupees and at least you would expect that they would not in the normal course fall much below the pre-war figure. So in that case if you take 14 crores as the annual consumption of the railways for revenue expenditure—

Mr. Subedar.—The other thing we would say is that we are assuming that the prices would not go up to the extent of 33⅓ per cent. and the Railways would not have to pay all the 33⅓ you impose as duty.

Mr. Ginwala.—I do not understand. Supposing Tatas get the protection they are claiming, the prices must go up by 33⅓ per cent. or thereabouts.

Mr. Subedar.—No. Assuming that the Railways are going to buy the same quantity which they have been buying, then the likelihood that all the 33⅓ per cent. which you may enforce would be passed on to the Railways is exceedingly small. We are inclined to think that a fraction of it would be borne by the suppliers, a fraction by the consuming public and a fraction would be wiped out.

Mr. Ginwala.—I should say these are theoretical considerations.

Mr. Subedar.—I don't think so: I should say the tendency of prices is to fall.

Mr. Ginwala.—Assuming that the prices do fall, then it may reduce the amount that would fall on the company. We cannot expect for a moment that a part of it will fall on the suppliers, a part on the Railways and a part on the consumer. We must assume that the manufacturer will take the fullest advantage of the protection that he gets. It is no use getting away from the fact. It is possible he may not. On the assumption that the prices remain as they are, you see that the Railways will have to increase their

budget by 2 or 3 crores of rupees every year. I was asking you whether you considered that a small thing.

Mr. Lalji.—Is it 3 crores on the total expenditure of the Railways? What is the percentage? I think you must consider that.

Mr. Ginwala.—I cannot give you off-hand. On the assumption that they have got to pay 4 crores more, the Railway companies have to find the money.

Mr. Subedar.—If you will allow me to meet that ground that a certain increased amount of money will have to be found by the Railways as a result of the imposition of this duty, our opinion is that this money should be found as the object is one of national importance as well as in the ultimate interest of the Railways themselves.

Mr. Ginwala.—That, I take it, woudd apply to other consumers than Railways?

Mr. Subedar.—The other consumers also would be better off in the end and should therefore be prepared to pay extra price which they may have to pay on account of the protection being granted.

Mr. Ginwala.—You say they ought to be prepared to pay, but having regard to the general condition and the kind of consumers of steel, do you think they could afford to pay?

Mr. Subedar.—Yes. So far as the factory people and the industries generally are concerned—I mean so far as other industries are concerned as pure consumers—the rise would be so fractional, about 1 to 2 per cent. of the total cost of the industry, which we think should be countenanced for a big object like this.

Mr. Ginwala.—With regard to the engineering industry also, what is your position? They claim that apart from compensatory protection they should be given further protection with regard to the fabricated steel as there is keen competition in that trade also. Would you admit the protection of that industry also on the same grounds?

Mr. Subedar.—The general position is this: once you adopt protection as part of the tariff system of your country, claims for protection would be put from many sources and some machinery would examine that claim from time to time and would grant it. We have every sympathy for the claims for protection which may be put forward on legitimate grounds by any industry, including the engineering industry.

Mr. Ginwala.—You say there ought to be adequate protection. On what basis would you fix that protection?

Mr. Subedar.—We would first of all protect them against dumping.

Mr. Ginwala.—One of the principles of protection is that you must equalize the conditions of the cost of production in the two countries, that is to say, that the protection must amount to the difference between the cost at which a foreign article can be imported into this country and the cost at which it can be sold and manufactured in this country at a reasonable profit.

Mr. Subedar.—Yes.

Mr. Ginwala.—You admit that as the normal principle?

Mr. Subedar.—Yes.

Mr. Ginwala.—Having got that you further suggest, I take it, that for abnormal conditions separate provision ought to be made?

Mr. Subedar.—Yes.

Mr. Ginwala.—That is to say, whilst the normal protection does not vary, abnormal protection may vary from time to time as conditions of exchange etc., change? What machinery do you suggest should be fixed in order to vary that protection from time to time?

Mr. Subedar.—The additional protection which may be necessary from time to time might be given in two forms: it may not necessarily be in the form of a tariff.

President.—The primary point that Government will have to ascertain is that the need for increased protection is essential. How is that to be ascertained?

Mr. Subedar.—We would advocate the same machinery as in the case of countervailing duty for sugar.

Mr. Ginwala.—That is to say, you would give the executive Government power to enquire into these varying conditions from time to time and meet them by the imposition of an additional tariff. Is that what you mean?

Mr. Subedar.—Yes.

Mr. Ginwala.—May I remind you that here, in the case of countervailing duty, there is no real machinery to enable the Governor General in Council to make special enquiries and to impose certain duties, but there are other countries where they recommand that enquiries should take place into these conditions and recommendations should be made either by a Tariff Board or a Tariff Commission.

Mr. Subedar.—We would put it like this: that for this object alone, which may arise, say, in the month of February and then may not arise at all till the month of June and so on—we don't know when it may arise again—I say for this object alone it is not possible to have a permanent body sitting, but if there is a permanent body in the shape of a Tariff Board sitting all the year round for other purposes as well, I should certainly think that this is a proper object to be entrusted to them.

Mr. Ginwala.—There are so many different countries just now, take the United States of America for instance. There is not very much depreciation in their exchange and supposing they came here it may not be necessary to impose as much tariff on their imports as on Germany. Would you suggest that each country should have a separate tariff for a fixed period, or would you suggest that any commodity as it comes, irrespective of where it comes from, should pay the difference between what you take as the normal price and the price at which it is imported into the country on each occasion?

Mr. Subedar.—I understand that the machinery in the United States is such that it gives the Customs authorities power in the case of certain articles of seeing that an article is not imported into the United States at lower than the cost of production in the United States.

Mr. Ginwala.—Pardon me, the Customs authorities have no authority. The President of the United States has got power to change the duty, and once he changes it, the Customs authorities have the power to enforce it. It is always in that case preceded by an enquiry under the orders of the President of the United States. But the point is this. It is not clear to me whether you would fix your tariff for a particular period against each separate country or whether you would give the executive Government power to levy the duty as the goods are imported into the country.

Mr. Subedar.—If there is an enquiry it would take some time. If, on the other hand, the Customs authorities have power it would be automatic. I believe the Customs authorities have the power to hold up the goods or to release the goods under a security pending an enquiry. They may have the power of releasing the goods under a security—a provisional duty as it is called.

Mr. Ginwala.—This system of course means two sets of tariffs, first what we call normal protection; then an additional duty to meet abnormal conditions. Would you give the Customs authorities power to impose an additional duty and exact an additional duty from any importer who, for instance, has got his goods cheaper than he ought to have got from a particular country?

Mr. Subedar.—I would certainly give the Customs authorities power to hold up such goods whenever they come into this country and to release them on payment of a large amount of security and then refer the case to any body that may be constituted by the Government of India for this purpose. If

enquiries, I think it may be necessary to have a body of men who would require considerable experience in examining such questions.

Mr. Ginwala.—Would you expect an enquiry by the Customs authorities with reference to each lot of goods imported, or would you fix the tariff generally for a certain period?

Mr. Subedar.—I think that for a small difference the customs authorities would simply let the goods pass and draw the attention of the parties, but in the case of a larger difference they should hold up the goods and draw the attention of whoever may be the authority for the time being. What authority the Government of India should put for this purpose will depend on whether there is to be a permanent organization to look into the tariffs. After all, a Tariff Board, after they have finished their preliminary enquiries, would not constantly have to examine the general application. They would have to examine each specific case and an experienced body of men may be placed at Calcutta or Bombay. Our Chamber have not gone into the details of the constitution of this body which, I think, ought to be left to the Legislative Assembly when the occasion comes.

Mr. Ginwala.—I take it that generally speaking you are of opinion that a special machinery should be devised which can meet the case of imports under abnormal conditions?

Mr. Subedar.—As a working suggestion we would throw out that a body of non-officials at each port should assist the Collector of Customs for this purpose.

Mr. Ginwala.—Would you suggest any safeguards for the prevention of fraud as to the price of imported goods?

Mr. Subedar.—I think the Custom Act has already got a provision for confiscating all goods in the case of a false declaration. If you suggest that on account of the imposition of higher tariffs, more frauds might be perpetuated hereafter, and if in your opinion special powers are necessary for the Customs authorities, we would not object to the grant of such powers.

Mr. Ginwala.—Having regard to the democratic form of Government which we are all aiming at, do you think that the executive Government should be entrusted with these powers?

Mr. Subedar.—Democratic Government works to carry out the will of the people as mentioned in the Legislative Assembly. Democratic Government does not mean that there would be no executive authority anywhere.

Mr. Ginwala.—Do you think the Executive Government ought to have this power?

Mr. Subedar.—I think it would be a salutary restraint on the abuse of these powers if they are exercised in consultation with a board of non-officials at each port.

Mr. Ginwala.—There is one point in connection with the tariff and that is this: for foreign competition against local production of steel, Bombay is more favourably situated than Calcutta for this reason that the iron and steel area is some distance from Bombay. Have you any proposals to make as to how this condition is to be met? I mean the foreign competitor can sell cheaper in Bombay as against the local manufacturer than in Calcutta.

Mr. Subedar.—We think that the principal manufacturers of steel ought to be enabled to compete at the principal ports by favourable freight conditions. This position, however, would become very acute when the production has increased very much and is able to supply a larger fraction of the country's requirements than at present. At that time we think that freight conditions ought to be made easier for the producing companies located in the iron area so that they may meet foreign competition in the principal ports.

Mr. Ginwala.—That is to say you would devise a system of preferential tariff from the industrial area to the principal ports?

Mr. Subedar.—To some extent these tariffs should be given partly as a business proposition so that each Railway may be enabled to convey a larger

amount of traffic by reducing their rates to some extent. If the Railway companies did not do it, we think it should be the duty of the Government of India to see that the conditions are equalized at the principal ports.

Mr. Ginwala.—I don't think you insist upon a sliding scale that you were talking about?

Mr. Subedar.—We would not insist upon the sliding scale being put in the present abnormal condition of the world, but otherwise we think it should be a part of the principle that when any country goes for protection definitely, then it should give out that the protection is not meant for all times but it is primarily to enable the industry to reach a measure of production enough to supply the country.

Mr. Ginwala.—But if you tell an industry that, do you think it would attract capital?

Mr. Subedar.—It would give a very unusual start to the people to come into the field and people who follow will not get the advantage at all.

Mr. Ginwala.—When you mention the principle of adequate protection, you are referring to the principle which we have discussed, namely, that conditions should be equalized in the two countries and protection is for that purpose. So long as these conditions remain unequal protection will continue. Then the question of sliding scale does not arise?

Mr. Subedar.—It does not arise for many years to come.

Mr. Ginwala.—With regard to the earmarking, I do not understand it. It is rather an acknowledged principle of finance that earmarking of particular items of revenue is considered bad finance.

Mr. Subedar.—As a normal expedient it is bad, but not for exceptional matters of the kind that we have before us.

Mr. Ginwaal.—That is to say, you would create a sort of insurance fund?

Mr. Subedar.—We would create a sort of fund to which the steel industry will look forward in case they are hard pressed by unfair conditions from outside.

Mr. Ginwala.—You are already devising two tariffs, you are giving them adequate protection for normal conditions, you are also giving the steel industry protection against abnormal conditions, and now you are making provision in other directions.

Mr. Subedar.—The idea of the earmarking was that a portion of this may be used to assist the industry to avoid abnormal conditions. The protection to be given to an industry under abnormal conditions would have the form of other additional tariffs and the adjustments at the ports by the machinery which we have discussed, or of a subsidy from this fund which would be kept aside. In case no such abnormal cases arise during the year then the fund would naturally lapse into the ordinary revenue balance of the country.

Mr. Ginwala.—I am afraid I cannot agree with you about the earmarking of finance under any conditions.

Mr. Subedar.—That is our view. Once the revenue from the taxing of the steel is absorbed in the ordinary finances of the country, it would be most difficult to get it out of the Finance Department, and in order that the Finance Department may not make unfair difficulties when the occasion came, we ought to indicate to that department that the first lien to this money is on behalf of the steel industry. If it is a method of protecting steel which does not appeal to the Board, that is just a matter of opinion.

Mr. Ginwala.—Yesterday an opinion was expressed by another Chamber on one point, and that was with regard to the amount of profit that would attract new capital to the industry. It was stated that if the industry was able to hold out a promise that it would return 7 per cent. on an average, adequate capital would be attracted, whereas the Tata Iron & Steel Co. are claiming at least 10 per cent. What are the views of your Chamber in this matter?

Mr. Subedar.—Did they mention 7 per cent. on an average or a minimum 7 per cent.?

Mr. Ginwala.—7 per cent. average.

Mr. Subedar.—If it is an average, it is certainly very low. We don't think it would be sufficient to attract capital.

Mr. Ginwala.—When an industry is protected that is more or less an assurance that a 7 per cent. average return would be made.

Mr. Subedar.—An average 7 per cent. is very low. It ought to be the minimum if it is a matter of promise to the investors but, of course, all investors in steel well know that steel as an industry is liable to great fluctuations.

Mr. Ginwala.—The point is, if the industry gets protection, why should they think that it is liable to fluctuations?

Mr. Subedar.—It is protected against unfair attacks from abroad, but is not protected against competition from inside from other concerns in the country.

Mr. Ginwala.—What would you consider as a reasonable return having regard to the conditions of the steel industry?

Mr. Subedar.—We find that the Tata Iron and Steel Company have themselves given 8 per cent. on an average in the past, and what the conditions in the future would be depend on the money rates in this country as well as money rates in foreign countries—these are important factors. As a working basis we would put anything between 8 and 9 per cent. average.

Mr. Ginwala.—Supposing you were floating a company for the promotion of a steel industry, the prospectus must set up—

Mr. Subedar.—Everything set up in the prospectus is not always realized, but no investor is attracted to an industry in India if he does not expect to make something more than the rate of interest he earns from mortgages and so on.

Mr. Ginwala.—What is the return that capital would expect before it is attracted to this industry.

Mr. Lalji.—In an industry nothing less than 8 per cent.

Mr. Ginwala.—And if there is any risk they would expect to get more?

Mr. Subedar.—They would expect much more if the rate of interest went up. When Government were borrowing at 6 or 6½ per cent. in Bombay, the expectation was very high. Now that Government are reducing their rate of borrowing the expectation becomes smaller. It varies with the current rate of loanable money.

Mr. Ginwala.—I want to ask a question about the general management of this industry. Do you think that the steel industry which is a long way off from Bombay—as a general rule do you think that it is an advantage?

Mr. Subedar.—It would be better if an industry has always got the choice to go where the raw materials are or where the market is. We believe that the steel industry cannot be located anywhere else except where it is because it would otherwise have to transport all its raw materials.

Mr. Ginwala.—As a business man, what do you think of that?

Mr. Subedar.—If the head office and works were at the same place, it would be an advantage.

Mr. Ginwala.—Is there any insuperable objection to that, supposing you are a shareholder in that?

Mr. Subedar.—We are managing concerns located outside Bombay. We are looking after them properly from Bombay, *i.e.*, textile factories.

Mr. Ginwala.—The textile industry is an advanced industry. It is an industry which is asking for protection.

Mr. Subedar.—That is true.

Mr. Ginwala.—So it has got to be differentiated. Taking the industry as a whole, what is your opinion as to the efficiency if the management and the industry were located in one place?

Mr. Subedar.—If I got your question correctly and if the question is this: that if Government and the country generally were prepared to incur the

sacrifices involved in protection, would they not be entitled to expect from the management a closer control than they have at present?—I think certainly if an industry is protected, the country would expect the Directors and controllers of that industry to show greater diligence than in the past in looking after the concern. Applying that to the present case, it would involve an assumption that Tatas have not been looking after, which assumption we would repudiate.

Mr. Ginwala.—I am only talking generally.

Mr. Subedar.—Take the wagon industry or the locomotive industry. If an industry came to the Government and the country and said "give us protection," then the Government and the country are entitled to tell them "we will give you protection, we sympathise with you, we shall assist you and encourage you, but you must also exert yourself a little more than you have been doing in the past." Certainly they are.

Mr. Kale.—We have just been discussing the question of two kinds of tariff, a normal tariff and special tariff. I would suggest to you that this system of special tariff against dumping seems to me to be rather complicated. Would it not be better to substitute a simple system such as this? The object of safeguarding against dumping is to raise the price of the foreign commodity to the level of the price of the indigenous commodity. What would you say to a sort of tariff valuation, imposed say per ton, of Rs. 150? Whatever the cost in the foreign country may be, whatever the depreciation in currency may be, or whatever assistance the foreign Government may give, the tariff valuation of a ton of steel would be Rs. 150, and 25 per cent. on this would mean something like Rs. 180 or 200 which is the price of the local commodity. Would it not simplify the whole thing?

Mr. Subedar.—If I understand your question, it is this: whether it would not be better or more automatic if any lot of steel which comes to be imported into this country were taxed not at a percentage on the value but on a tariff valuation.

Mr. Kale.—On a fixed tariff valuation.

Mr. Subedar.—It would only suffice to extract a larger duty from the importer, but not in some cases large enough to bring up the selling price to the current price in India.

Mr. Kale.—That is to say, you don't think that the gulf between the internal price and the external price would be bridged?

Mr. Subedar.—Not in all cases. It is certainly an improvement on sudden manipulation of tariffs, but it would not bridge the gulf in all cases. Supposing steel is imported at Rs. 60 a ton, then 33⅓ per cent. on 150 would be Rs. 50 more. Rs. 110 would be a great disadvantage to the local manufacturers. It would be below the cost of production in this country.

Mr. Kale.—Supposing the Customs authorities were empowered to alter the tariff valuation from time to time and to suggest additions (you have already said that some such power will have to be given to the Customs authorities) have you any objection?

Mr. Subedar.—We would favour the putting of power in the hands of Customs authorities assisted by a non-official Board mentioned by us by which they would be able to revise the tariff. If you have got a fixed tariff valuation, the plan ought to be that the cost of production in this country ought to be reasonable, and that the Customs authorities ought to be guided by the cost of production in this country rather than by the invoice figure.

Mr. Kale.—We assume that we know what the difference between the cost of production in this country and normally outside the country is, and that will be a factor in modifying the tariff valuation. Will that meet the case?

Mr. Subedar.—Tariff valuation is a fixed thing whereas the duty will be changing.

Mr. Kale.—Tariff valuation also may change in view of the changing conditions so as to bring up the price of the foreign commodity to the level of the internal price.

Mr. Subedar.—If you will allow me to put it as a theoretical problem, it would be something like this. Supposing the cost of production in this country is Rs. 120, then the object of the power to impose a levy, which would be vested in the hands of Customs authorities with the safeguards mentioned by us, would be to bring up the invoice price of the importer by such an amount as to make it Rs. 120 at all events. In all cases the variable item is the duty to be imposed on the amount in the tariff valuation. You may not meet it by changing the tariff valuation. You may meet it by varying the levy which the merchant would have to pay, and this would have the advantage of being known to merchants.

President.—I am afraid I have failed to follow the proposal that is now being considered.

Mr. Kale.—The proposal is that instead of having two tariffs there will be only one tariff, the object of which is to bring up the prices of the foreign commodity to the level of the internal price whatever that may be.

President.—Let us get at concrete figures. Would it work like this? The proposal is that the tariff valuation should be Rs. 150 a ton and the duty is 33⅓ per cent. Therefore the duty on steel is Rs. 50 a ton, that is to say, the steel that is coming from England, the c.i.f. price of which will be Rs. 150 would cost Rs. 200, and the Continental steel coming at Rs. 120 would also bear the same duty of Rs. 50. So one becomes Rs. 200 and the other Rs. 170.

Mr. Subedar.—What Professor Kale suggests is different tariffs for different countries.

President.—You suggest that it should be incumbent on the Customs authorities in the case of every consignment to satisfy themselves as to the value and see and impose according to the value such rate of duty as is necessary to bring up the price to the standard figure? I am afraid it would mean a small army of Customs officers that would be necessary.

Mr. Subedar.—If you will allow me to say on that subject, what we would say is this. What might be an expedient or a measure necessary for abnormal circumstances ought not to be reduced to a normal machinery, and our view is that the power given to the Customs authorities should be used only when there is an abnormal movement to dump down steel in this country for some reason or other at a figure which the steel manufacturers in this country would regard as disastrous; whereas normally the level of duty to be imposed ought to be on the generous side so as to cover all small fluctuations. That is our position.

Mr. Kale.—What I had in my mind was this. When we fix normal prices in the country and outside the country, the fluctuations that you are speaking of just now will be taken into consideration, but when there are certain extraordinary occasions and as they will arise from time to time, they may be met by the use of this extraordinary power which might bring up the price of the foreign commodity to the level of internal price.

Mr. Subedar.—That is what we have suggested. This extraordinary power may be vested in the Customs authorities to the extent of their exercising it with the assistance of a non-official Board or, if the Legislative Assembly so desire, a special body appointed for that purpose. I would illustrate the case in point. Supposing France confiscates all the steel lying in Ruhr as a war indemnity, then she will invariably try to send out that steel to markets at something below the ruling prices and will go on reducing the price until she can induce buyers. When there is such a campaign on foot, steel manufacturers and steel merchants in this country will have to move somebody and say "here is a danger, somebody should come to our assistance and look into this danger." Who that somebody should be is the question. You have now two proposals before you. One is that the Customs authorities should draw the attention of the Board, which will be a non-official Board sitting at each port—because such cases will happen only in ports—and the other is if there is a body of expert gentlemen with experience of these questions sitting permanently to examine applications for protection or for

hearing cases of unfair conditions, then this expert body of men or a permanent Tariff Board may go into that.

Mr. Kale.—May I take it that you have gone into the details of the cost of production and the other figures which the Tata Company have given?

Mr. Subedar.—Yes, we have considered them and we think that 33⅓ per cent. protection which the Tata Company require . . . .

President.—Please confine yourself to Mr. Kale's question. Have you gone into the figures with regard to the cost of production and seen whether they are reasonable or not?

Mr. Kale.—Do you consider that their overhead charges and depreciation charges are reasonable or fair?

Mr. Subedar.—As far as we have seen, they seem to us to be quite fair.

Mr. Kale.—A complaint has been made that many of these charges are extravagant. Do you agree to that? Or do you think that they are not extravagant and that on the whole they are reasonable?

Mr. Subedar.—We have already replied that the Committee has not considered the question from the point of view of the producer with minute attention, but as for the complaint that they are extravagant, it has been made by interested parties and ought not to receive the attention of the Board. I would illustrate the nature of the interested parties that are making complaints by drawing the attention of the Board to something that we find in the Special Supplement in the European Reconstruction—Section XV—Manchester Guardian—Commercial—dealing with the steel industry. Speaking on behalf of British manufacturers, they sound a note of warning that India is going on to protection, that India has special facilities for the production of pig iron, and call upon the steel manufacturers of the United Kingdom to be on their guard in the following words: "The importance of small competitors may appear to be overdrawn, but as all of them without exception were customers of ourselves in pre-war days and as half of our steel was exported, it is of the utmost importance for us to watch these developments and be ready."

President.—May I ask what relevance this has to the question put by Mr. Kale?

Mr. Subedar.—Professor Kale asked us whether we had heard of the complaint made in several quarters that protection should not be given because Tata's management is wasteful and their overhead charges are heavy.

President.—Am I to understand that this article you are reading deals with that point?

Mr. Subedar.—I am drawing the attention of the Tariff Board to the opinion pronounced by English manufacturers who are watching the situation in India with some anxiety and concern, and the unfair agitation which has been put up against the proposal for protection could be very easily seen from the extracts which I was reading.

President.—I really don't see that it is relevant to Profesor Kale's question. It would be better if you would try to answer his question directly.

Mr. Subedar.—I have already mentioned that this complaint has come from interested quarters.

Mr. Kale.—Is it your view that it is unfounded and that there are certain selfish motives behind it and that it must be discounted?

Mr. Subedar.—To the extent to which it is inspired by fear of competition from India in the minds of British manufacturers.

Mr. Kale.—To that extent, the Tariff Board ought to discount this criticism? We got the information published with the view that it might be criticised by the commercial public and also by consumers. It was our expectation that bodies like yours might go into these details and tell us exactly from your business experience how far these depreciation costs and

overhead charges are reasonable and whether some economies might be made. We expected that kind of information.

Mr. Subedar.—In a general way, we consider the conditions under which steel is produced as fair and the conditions of competition which the industry has to meet as unfair, and therefore we think that protection should be given.

Mr. Kale.—Do you think that though these charges might be slightly higher on account of peculiar conditions under which the industry is carried on, we should overlook them?

Mr. Subedar.—We are inclined to think that these would be automatically reduced when production increased and increased production would be coming into operation soon. Should the Legislature find at a later date that they are not reduced and that steel manufacturers are making enormous profits from protection, we take it that the Legislature will always have the power to revise any arrangements which may be put; but we should not suggest to the Board to deter from making an unreserved recommendation on this occasion in view of these matters which would naturally be watched with greater interest in future than in the past.

Mr. Kale.—About your idea of bonus being given to the industry from which money has been taken: the question I would ask is whether this money is contributed by the industry or by taxpayers generally. If it ought to go back to anybody, it must go back to taxpayers?

Mr. Subedar.—The residuary enjoyer of that money is the taxpayer. What I had in my mind was this. Government is likely to make more money, if industries spring up in the country, by way of additional transport, income-tax, super-tax and local rates. In order to establish a permanent source of additional revenue, Government has to make an initial sacrifice. It is a perfectly sound principle and it is also along lines of definite experience of very many countries in the world.

Mr. Kale.—My point is that it is a sacrifice made by the public and if the money is to go back to anybody, it should go gack to the people.

Mr. Subedar.—I am taking that point. The country has to make that sacrifice with a view to build up its own economic life on lines which are good for the country.

Mr. Kale.—Would you, therefore, suggest that the money should be spent on technical education? It would be helping the industry if the money is spent on technical education. I cannot exactly understand how the money is to be returned to the industry by means of a bonus?

Mr. Subedar.—We are suggesting bonus in case you are not putting an adequate protective duty. In case you are not inclined to tinker with tariffs, then we suggest that bonus should be given from this fund. The moment you estabilsh protection—we understand that several Corporations are willing to establish and have already got schemes in hand for increased production—these Corporations may be established and there will be increased traffic on Railways, there will be increased payments of revenue, there will be increased employment to the people and increased prosperity generally. This prosperity would re-act favourably on the economic situation of the country, and in this way the State would regain anything which it may have spent.

Mr. Kale.—In answer to a question put to you, you said that industrialists would benefit by having an industry on the spot in this country compared with industries outside. Is it your experience that there are great difficulties to be encountered in getting goods at the right time and that there are also exchange difficulties? Do you mean to say that if we have steel works in this country, you can place your orders much more easily and get your goods much more easily than otherwise?

Mr. Subedar.—I should not like to make a specific statement with regard to steel or any particular industry, but generally speaking our experience is that if we can lay our hands on materials required for an industry in this country, we are in a much safer position all round, not merely with regard to time and transhipment, but also with regard to specifications, etc. It is

altogether a safe thing for an industry to rely for any materials required on this country rather than to have it imported from abroad.

Mr. Kale.—May I take it that ultimately as consumers of steel you would consent to any high duty that may be absolutely necessary for giving adequate protection to the industry irrespective of consequences?

Mr. Subedar.—Certainly we would. I would agree to whatever was necessary to adequately protect this industry and to secure its definite establishment here for all times.

Mr. Kale.—You do not think that Government should be deterred simply by the increase that may take place in the price of some commodities and in the Railway charges and so forth?

Mr. Subedar.—We have already indicated that the increases will not be very much and to the extent there are increases the Government should not countenance them.

Mr. Mather.—I understand that you favour that protection should be given to the industry by means of a normal duty which is practically equivalent to the difference between the normal price of the imported article and the normal cost of production in this country?

Mr. Subedar.—Our general formula was that adequate protection should be given. What that protection should be is to be determined for normal purposes and the working rate which has been suggested is 33⅓ per cent.

Mr. Mather.—My point is this: You contemplate a possible increase in the normal rate of protective duty if the price of the imported materials falls considerably below the price existing at the time when the duty is fixed. You have mentioned several possible causes for such a fall in price, a number of which would normally come within the scope of such a suggestion based on protectionist principles. Supposing the imported material fell in price, due to an improvement in the process of manufacture, would you regard that as justifying an increase in the protective duty?

Mr. Subedar.—If there was a definite improvement in the process of manufacture and if the country came to know that a particular fall was due to this, we would still ask the Government to give protection, and at the same time call upon the steel manufacturers in the country to explain why they are not able to apply the new process and what are the difficulties. It would be a proper matter for enquiry.

Mr. Mather.—Would you not give the steel manufacturers in this country the automatic incentive to adopt this process which would follow from leaving the duty as it stood?

Mr. Subedar.—We think that if the protection in this country is not in the hands of monopolists, then competitive conditions would always be there and some manufacturer or other will try to follow this new process and in that case the older ones would suffer. I have no sympathy with the older ones if they suffer in the hands of the manufacturers in this country.

Mr. Mather.—Unless some other manufacturer in the country adopted this newer and cheaper process, you think it might be desirable to allow the established manufacturers to continue on their own lines and give them enough protection?

Mr. Subedar.—We should not like the manufacturers in this country to be wiped out by outsiders.

Mr. Mather.—Even if they do not adopt the cheaper processes which were being applied in other countries?

Mr. Subedar.—I anticipate that they would adopt these processes. Some of them more enterprising than the others and with greater facilities would adopt it, or new concerns might be started for the purpose. I am not suggesting the licensing of the manufacture of steel. What I mean is that they should be absolutely free, and if free conditions of competition exist in the country, that would be sufficient incentive to regulate the condition of protection to a fair level.

Mr. Mather.—They have not always been immediately effective in some other countries.

No. 89.

Bombay Iron Merchants' Association.

WRITTEN.

Statement I.—Representation of the Bombay Iron Merchants' Association to the Tariff Board, dated the 30th July 1923.

I am directed by the Managing Committee of my Association to make you the following representation on behalf of the steel trade in general in Bombay which includes large and small importers, stockholders, brokers, upcountry Commission Agents, consumers and, etc.

As Indians we are glad to see that the Government of India recognises the necessity of giving protection of Indian industries against foreign competition. We are proud of the efforts made by late Mr. J. N. Tata, to manufacture steel in India and most of our merchants supported the Tata Iron and Steel Company by freely and liberally taking up its shares. When the steel was manufactured, we were most anxious to import it to Bombay and did import large quantities during the war. After the war, cheap Belgian and Germany steel began to be imported at £s. 16 per ton in 1919 to £s. 7 per ton in 1922 on c.i.f. basis. Exchange of Sh. 2-10 to Sh. 1-6 also favoured this import. Against this Tata Iron and Steel Company's quotation was Rs. 280 in 1919 to Rs. 180 per ton in 1922. F.o.r. Bombay. Even the raising of import duty to 2½ per cent. and subsequently to 10 per cent. gave no benefit to the Indian steel in the Bombay market. We, however, find that the levy of 10 per cent. duty coupled with the increase of railway freight from Bombay to Delhi and Punjab to about Rs. 2-8 per cwt. has prevented those provinces from buying from the Bombay market and our information is that Tata Iron and Steel Company are able to capture those markets for their products. If the Board finds that their products can easily be absorbed by the United Provinces, Punjab and other places in India which get the benefit of Railway Concession in freight, there is, in the opinion of my Association, no need for further increase of duty to give protection to Tata Iron and Steel Company's products at least on this market. The present duty of 10 per cent. has added a heavy burden on the agriculturists, factory owners, builders and other users of iron and steel in the area served by Bombay Port which roughly includes Gujerat, Kathiawar, Cutch, Rajputana, Deccan, Karnatic, Central Provinces up to Nagpur. It has dislocated trade and taken away from this market the important customers from Cawnpore, Agra, Delhi, Hathras, and Punjab. Thus Bombay trade and consumers are already hard hit by the 10 per cent. duty and would resent any further increase of duty.

If, however, the Board thinks it necessary to give further protection to the Company my Committee submit that a subsidy should be granted from Imperial revenue but a further increase of duty would be disastrous to the trade and consumers. In any case my Committee has strong reasons to believe that even with high tariff, the company will not be able to sell its steel in Bombay market against Continental Steel. It is said that the latter is subsidised by the Continental Governments and are dumped on our markets. From inquiries made we have got reliable information that this is not correct. We attach copies of letters received by Messrs. Trivedi and Co., one of the importing firms, here. This will clearly show that the dumping theory is not correct at least so far as Germany is concerned. My Committee is not in a position to say why Indian Steel Company would not be able to stand on their own legs against continental competition, even with tariff protection but that is their opinion from the way in which Continental Steel was able to capture Indian market from British and American Steel manufacturers.

Besides my Committee understand that the Tata Iron and Steel Company do not manufacture low quality steel equal to Continental steel. Its ambition is to compete against British steel which is not much imported in our market. So it requires protection against the latter and not against the former and therefore there is no sense in taxing the former highly since it is not the competitor of the Tata Steel.

Our last request to the Tariff Board is that whatever duty is decided to levy on the imported steel, to give protection to Indian steel, the protection should extend only to such articles of iron and steel as are manufactured in India in a sufficiently large scale and not to all articles of iron and steel imported. Indian Steel Company at present manufacture only rails, bars, angles, tees, channel, pig iron, wires and wire-nails while such articles as rods, plates sheets, black or galvanised are not manufactured here and even if they are manufactured in future they are not likely to be on a large scale. My Committee feel therefore, that it does nobody any good to tax such articles imported from abroad and hopes that the Tariff Board will take this matter into consideration if they decide to levy increased duty on steel imported from abroad.

My Committee would be glad to send its representative for examination before the Board if it is desired.

Statement II.—Letter from Mr. G. B. Trivedi, to the Secretary, Tariff Board.

I have the honour to hand you herewith a copy of my* written evidence which I propose to give to-morrow. As I was busy with my Council election I am rather late and hope to be excused.

I am the Secretary of the Bombay Iron Merchants' Association. I am a graduate of the Bombay University. I was a Member of the last Legislative Council. I am a Member of the Executive Committee of the Indian Merchants' Chamber and of the Advisory Board of the Bombay Industries Department.

I have been connected with the steel trade in Bombay for the last twenty-three years. Before the War, I was a Salesman for steel business of a big German Firm established in Bombay. Since 1915 I have been doing import business in steel under the name and style of Trivedi and Company. I have got branches in Karachi and Calcutta and I have an Office in Belgium. Thus I know the steel trade and its requirements both here and in the steel exporting countries like America, England, Belgium, France and Germany

Merchants of my Association take interest in the indigenous steel industry and largely subscribed to the capital of the Tata Iron and Steel Company at the time of its formation. They would naturally do everything in their power to help the industry. Before the War India used to buy its steel requirements mostly from Belgium and Germany.

According to the Table II on page 63 of the Representation submitted to the Indian Tariff Board by the Tata Iron and Steel Company, Limited, there was a total import of about 10 lakhs tons in India last year. Of these 30 per cent. was from England and 70 per cent. from the Continent. Pre-war import of railway steel materials was 244,000 tons (see page 67) whereas steel import for Government requirements was 40,000 tons. Thus Government and Railway requirements would amount roughly to 3 lakhs tons. Tata Iron and Steel Company at present manufacture about 130,000 tons and when Greater Extensions are completed they hope to manufacture 4 lakhs tons. Thus if Government and Railway Companies are made by the Legislative Assembly to buy all their steel in India at their market price, even if it be higher than English steel price as was done in Australia (see page 4) there would be no necessity of levying further duty on imported steel. Tata Iron and Steel Company were not justified in the interest of their share-

* NOTE.—The draft of Mr. Trivedi's written evidence has been formally approved by the Committee of the Bombay Iron Merchants' Association.

holders to supply to Government and Railway Companies steel below marke. price while they quoted higher price to steel merchants. If they had charged them proper price they would not have come to grief. As British steel is mostly £2 higher in price than Continental and as the Tata Iron and Steel Company manufacture steel to British Standard only and as 60 per cent. of their present output and 20 per cent. of their output later on will be rails, if Government and Railway Companies are made to buy all their steel requirements in India only at the market price, there would be no necessity of levying any additional duty and if there is, it would not be as high as 23¾ per cent.

The Tata Iron and Steel Company could not supply iron and steel to the Bombay Iron market before the War. During the War I was the first merchant to supply their steel to the Bombay market, but when the Continental steel began to be imported again in Bombay after the Armistice, Indian steel could not compete with it.

Before the Ruhr occupation, the import price of steel bars which is the principal article of import from the Continent was about £7 per ton, which with 10 per cent. customs duty and Rs. 2-4-0 per ton of Port Trust dues and with clearing charges came to about Rs. 120 per ton. On account of the Ruhr occupation it increased to Rs. 150 per ton, and now it is going down and in about six months' time it will go back to Rs. 120, whereas Tata Company's price, f.o.r. Bombay is about Rs. 200 per ton. If duty is further increased by 23¾ per cent., the import price would rise from Rs. 120 to Rs. 150 per ton, so that even with the full protection given, the Company will not be able to compete against Continental steel. Any further duty, therefore, on Continental steel imported in Bombay will not benefit the Company and will only tax the Bombay Presidency Consumer unnecessarily. The present increase of duty from 2½ per cent. to 10 per cent. since 1922 has enabled Tata Iron and Steel Company to capture the Upper India Market on account of railway concession freight. The Upper India Iron Merchants from Cawnpore, Delhi, Agra and Lahore used to be very big buyers in the Bombay Iron Market. Now they buy direct from the Tata Iron Works and the Company ought to be satisfied with this position. If necessary, further concession in Railway freight should be secured to them to enable them to supply the Upper India steel demand. The Company may also justly aspire to meet the demands of Calcutta Iron Market to a certain extent and for this purpose a higher duty, say of about 5 per cent., may be levied on steel imports in Calcutta, if this is justified by the circumstances but I am sure the Board is convinced that any further increase in duty will not enable the Company to supply steel to Bombay till their prices are reduced by 25 to 40 per cent.

My Association is not against Government helping this very useful national industry, but they submit that as 60 per cent. of the Company's present output in steel is rails and as in this article their competition is against British steel, increased duty may be levied on this article only. I have carefully read Mr. Peterson's evidence and I find that he also asks for protection against British steel. In fact, Tata Iron and Steel Company have always aimed at supplying Government and Railway wants. Both these customers have always imported British steel. They hardly or never buy Continental steel and therefore increased duty should be levied on British steel rails, joists, angles, tees and plates to enable the Company to supply all Government and railway requirements in steel, which amounts to 2 lakhs tons per year. But the bazaar articles, such as bars, plates, sheets, rods, beams, angles, tees, hoops and corrugated sheets, should not be taxed as the Company has never been able to supply Bombay bazaar requirements in these articles and even if they do aim they would never be able to do so unless their price comes down to Rs. 120 f.o.r. Bombay, and even lower for pre-war price of Continental steel bars was £5 per ton, which with 10 per cent. duty and other charges would come to about Rs. 90 per ton. I hope I have said sufficient to convince the Board that the Company will not be able to capture Bombay Steel Market even if 23¾ per cent. increased duty

be levied on Continental steel. This or higher duty may be levied on British steel rails and other steel articles required by Government and Railway Companies, and that the present levy of 10 per cent. has enabled the Company to capture Upper India Steel market and that a small increase of duty may be levied on steel imported in Calcutta.

Personally I am in favour of giving protection to such a useful national industry. It would be a pity if it were left to die by foreign competition, but as the competition is with British steel and not with Continental, which the trade and the country mostly uses, protection should be given against British steel import. Out of patriotic motives, British officials in Government Departments and in incorporated Bodies like Port Trust, Improvement Trust and Railway Companies always order British steel material although Continental is cheaper and equally efficient. The country can, therefore, out of equally patriotic motives very well afford to pay 25 per cent. more on these materials in order to help Indian industry. Thus British steel imports would be checked and stopped and after some years the Company will be able to sell its steel as cheap as British without this 25 per cent. levy.

As regards the cost of production, I have made some enquiry in Belgium and beg to hand over two letters which show that in Belgium the cost of labour, etc., for producing one ton of steel from ore and coke is only 20 per cent., whereas Tata's cost is very much higher. In my opinion, the Company made an initial mistake in consulting American Experts and following their advice. Americans are known to be men having big and costly schemes. They should have consulted Continental Experts who produce cheap steel. Even now if German or Belgian Experts would be brought, the cost of superior labour would be at once reduced by at least 50 per cent. I was one of those who joined in the demand made by Mr. Antia in 1916 or 1917 of replacing costly Americans by training Indians, but the Company was very slow in acceding to it. One other defect in the Company's management is the absence of any man who understands steel business on the Board of Directors. It is preposterous to think that Cotton Merchants, mill-owners, bankers and Dewans of Native States are able to understand how steel industry is to be run. Naturally they have to depend on the advice of costly American Manager or a Consulting Engineer. If cheap Continental trained superior labour is imported and a Manager with Continental experience is brought in and if on the Board of Directors there are some few men understanding steel industry, the cost of production will be much reduced.

Statement III.—Letter, dated November 20th, 1923, from Mr. Trivedi, to the Tariff Board.

As desired by Mr. Ginwalla I beg to hand you enclosed 3 invoices of rails with a letter and 11 invoices of steel bars in originals which kindly return after inspection and noting the contents, if necessary.*

* Extracts printed below.

Extract from original invoices forwarded by Mr. G. B. Trivedi, Bombay, for the information of the Tariff Board.

Date of Invoice.	Article purchased.	Quantity purchased.	Price paid.
		Tons.	£ s. d.
26th July 1920	Continental mild steel bars (assortment similar to specification No. 45).	50	29 0 0 per ton.
26th August 1920	1 mile track 40 lb. rails including fishplates, bolts and nuts.	..	24 0 0 „
4th October 1920	1 mile track, rails weighing 40 lbs. per yard including bolts, nuts, fish- plates, dogspikes.	..	23 0 0 „
6th November 1920	Continental basic steel bars (specification No. 45).	100	19 15 0 „
29th November 1920	Continental basic steel bars, 2¼" × ½" × 17' long.	400	17 10 0 „
15th December 1920	Continental basic steel bars, 2¼" × ¼" × 18½' 6" margin.	400	17 0 0 „
16th December 1920	Continental basic steel bars (specification No. 490).	200	15 15 0 „
30th March 1921	Continental mild steel bars from ½" sq. to 2½" sq. 17 feet long.	50	11 10 0 „
4th May 1921	Continental mild steel bars 2¼" × ¼" × 17' 2" long.	300	10 10 0 „
10th August 1921	Continental basic steel bars (specification to follow).	1,000	9 0 0 „
10th November 1921	German rails with necessary fish-plates, bolts, nuts and dogspikes.	100	9 0 0 „
23rd November 1921	Continental mild steel bars (specification to follow).	50	8 15 0 „
6th September 1922	Continental mild steel bars (Messrs. Trivedi & Co.'s specification No. 20).	25	8 12 6 „
22nd November 1922	Continental mild steel bars (Messrs. Trivedi & Co.'s specification No. 19).	98	7 2 0 „

APPENDIX A.

(Enclosure to Statement I.)

In reference to a circular letter issued last year by the Tata Iron and Steel Company, Limited, asking for protection of their industry by increasing still further the heavy export duty on all iron and steel imported into India on the grounds that unfair competition was being caused by the dumping of German parcels on the market, I beg to inform you that during my present visit to Europe, I have carefully investigated this matter.

First, I would call attention to the attached official statement from the German Controller of ferrous exports of some of the largest works in Germany, the translation of which reads as follows:—

"In reference to the request of the works 'August-Thyssen-Hutte' in Hamburg, I beg to confirm herewith that the German rolling-works whose deliveries for foreign countries are under my control, do not quote any cheaper prices for Bars, Joists, Rails, Sheets, etc., for sale to India, than to any other foreign country. All the sales and quotations for foreign countries go through me so that I am in a position to control all the prices and that I can give above declaration in good faith.

Yours faithfully,

(Signed) Der Reichs Kommissar fur die Eisenwirthschaft."

Secondly, I have discussed this matter with leading experts in the iron and steel trade, and I find that they are all agreed that German competition in India and elsewhere has not been in the nature of dumping. In fact, during quite a considerable period latterly, German prices have not even been of a competitive nature, and it is only occasionally that their works have been able to make large sales on the open market.

Thirdly, I have spent considerable time in examining statistics of works on the Continent and in Great Britain, also their methods of dealing with the recent abnormal conditions, with the result that I am convinced that the ability of these works to sell at low rates is entirely due to efficient management, astute purchases of raw materials, and most especially to the efforts of the directors themselves who have worked unceasingly to cope with difficulties as they arise, and whose own energy and brains have been devoted to the development of their industry, in many cases without remuneration, and in many more at a continual pecuniary loss to themselves.

Fourthly, the majority of people with whom I have discussed this matter have expressed great surprise that India with its cheap labour, low cost of raw materials and moderate taxation, has had to raise such a question. General opinion here is that steel ought to be produced in India at a considerably lower cost than in Europe.

Fifthly, perusal of the annual reports of the most important works, shows that success in meeting competition after the terrible effect of the slump in 1921 has been achieved by clever organisation both of administration and of manufacture.

It is therefore my considered opinion that the effect of raising the import duty on iron and steel still further will reflect on the poor consumer in India and on the general development of various Indian industries which are so largely dependent on cheap iron and steel for their prosperity.

APPENDIX B.

(Enclosure to Statement II.)

In view of the proposed increase of import duties in India, we beg to inform you that we have been making enquiries concerning the percentage of labour cost intervening in the first cost of manufacture of 1 ton of steel in Belgium. We have received the desired information from the official body in Belgium, namely Comité Central Industriel de Belgique, representative of all the steel manufacturers of this country. We enclose the original

letter from this body and shall be glad if you will use it for any legitimate purpose.

Yours faithfully,

SOCIÉTÉ ANONYME GEO. DISSY & CO.,

L'Administrateur-délégué.

GEO. DISSY & CO.

References—G.G.—H.D. 8.

Bruxelles, le 29 octobre 1923.

S. A. GEO. DISSY et Co.,
7, Place Averte,
Anvers.

MESSIEURS,

TARIF DOUANIER DES INDES.

En possession de votre lettre du 26 courrant nous avons l'honneur de vous informer qu'en partant du minerais et du coke, le rapport entre les salaires totaux payés aux ouvriers et le prix de vente des produits métallurgiques, est, dans les circonstances actuelles, d'environ 20 pour cent.

Cette proportion s'entend naturellement pour les marchandises prises à l'usine ou, ce qui revient à peu près au même, livrées f.o.b. Anvers, et il est bien entendu dans votre cas que vous auriez à ajouter au prix de vente ainsi compris, les frais de transport jusqu'à destination, pour en tirer un nouveau pourcentage qui sera naturellement assez sensiblement inférieur à celui qui précède.

Veuillez agréer, Messieurs, l'expression de nos sentiments distingués.

Le Directeur General Adjoint,

(Illegible.)

Oral evidence of Mr. G. B. TRIVEDI, representing the Bombay Iron Merchants Association, recorded at Bombay on the 19th November 1923.

President.—You have come to-day, Mr. Trivedi, I understand, as the representative of the Bombay Iron Merchants Association.

Mr. Trivedi.—Yes.

President.—Can you tell us how many firms are members of that Association?

Mr. Trivedi.—About 40.

President.—Is it an old established Association that has been going on for some time?

Mr. Trivedi.—It was established in 1916 or 1917.

President.—Can you tell us approximately what were the quantities of iron and steel the different members of your Association imported during the year?

Mr. Trivedi.—I think we imported about 2½ lakhs of tons in Bombay.

President.—That is iron and steel of all kinds?

Mr. Trivedi.—Yes.

Mr. Mather.—Through the agency of members of your Association?

Mr. Trivedi.—Yes.

President.—Is that roughly the total imports of Bombay?

Mr. Trivedi.—It is something less because there are other engineering firms who import also.

President.—What the members of your Association import is not the whole importation: it is something less?

Mr. Trivedi.—Yes.

President.—You have said in the written statement "As Indians we are glad to see that the Government of India recognises the necessity of giving protection of Indian industries against foreign competition". As regards the steel industry, speaking as merchants you are not quite so sure?

Mr. Trivedi.—Steel trade I meant.

President.—The point I would like to put is this: if you are going to have protective duties it must mean a certain amount of restriction in the import trade.

Mr. Trivedi.—Therefore I do not advocate full increase of duty but I also recommend bonus or bounties.

President.—I recognise that, but even supposing it were done entirely by means of bounties or subsidies it would mean a reduction in the total imports.

Mr. Trivedi.—Yes. It would.

President.—That is to say, part of the steel that is imported at present would be replaced by the steel manufactured in this country.

Mr. Trivedi.—Yes.

President.—So that you recognise that the policy of protection must to a certain extent interfere with your business as merchants? That is inevitable.

Mr. Trivedi.—Yes.

President.—Therefore, the mere fact that there may be a certain amount of restriction of trade is not in itself an objection to protection.

Mr. Trivedi.—Not to our Association.

President.—You have told us that after the war, cheap Belgian and German steel began to be imported at £16 per ton in 1919 and the price steadily declined to £7 per ton in 1922 on c. i. f. basis. Can you tell us what articles you refer to: that is the basic price?

Mr. Trivedi.—Steel bars is the chief item of import.

President.—For what purpose is the steel that the members of your Association import used chiefly?

Mr. Trivedi.—It is used in agriculture and in building.

President.—You also import joists, angles and so on.

Mr. Trivedi.—Yes.

President.—What happens to the bars that you import? Where do they go to chiefly?

Mr. Trivedi.—In building: blacksmiths and agriculturists have to use them. They are chiefly used for building purposes and for agricultural purposes.

President.—That is to say, the latter class will go out into the bazaar trade and will gradually reach the village blacksmith and the small people who use iron and steel up country?

Mr. Trivedi.—Yes.

President.—In 1922 you have told us the price of bars went down to £7 a ton. How has the price moved since then?

Mr. Trivedi.—It remained so up to the occupation of the Ruhr. After the Ruhr occupation it went up to £9 and it is now again going down, and I estimate that in about six months it will again go down to £7.

President.—Is that the c. i. f. price?

Mr. Trivedi.—Yes.

President.—What is the price to-day?

Mr. Trivedi.—£8-5.

President.—For imported Continental bars?

Mr. Trivedi.—Yes.

President.—In comparing the two years 1922 and 1923, was the importation of Continental steel larger in 1922 or 1923?

Mr. Trivedi.—In 1922 it was larger.

President.—There has been some reduction in importations this year?

Mr. Trivedi.—Yes.

President.—Do you ascribe that to the higher price?

Mr. Trivedi.—Yes: also to the difficulty of getting goods from the Ruhr: the principal importation was from the Ruhr.

President.—I will come to that later on. After all, if there was less steel consumption that must depend on the ability of the consumer to purchase. Do you think that the rise in price from £7 to £9 had the effect of reducing consumption?

Mr. Trivedi.—Yes. I think so.

President.—Can you give us the actual figures of the importation during the two years? Take bars, for instance.

Mr. Trivedi.—It is given in Tatas' statement. (Page 63) 214,000 tons up to the end of 1923 (March).

President.—Have you got figures for the first eight months of 1923?

Mr. Trivedi.—No.

President.—No doubt we can get it from the trade returns.

Mr. Trivedi.—Yes.

President.—Then in 1922 where did the greater part of the Continental steel come from?

Mr. Trivedi.—Nowadays it comes mostly from Belgium, Lorraine and Luxemburg.

President.—In 1922?

Mr. Trivedi.—The greater part came from the Ruhr and Belgium.

President.—Have you actually verified that, or are you speaking from your general knowledge or with reference to Trade Journals?

Mr. Trivedi.—Yes. From my general knowledge.

President.—Your impression is that it came mostly from Belgium and the Ruhr?

Mr. Trivedi.—Yes.

President.—But did the steel that came from the Ruhr come from a German port?

Mr. Trivedi.—It came from Antwerp. Even before the war German steel used to come from Antwerp mostly.

Mr. Mather.—Did it not come from Rotterdam?

Mr. Trivedi.—Very little. The chief ports were Hamburg, Bremen and Antwerp.

President.—Then a little further on you say "Even the raising of the import duty to 2½ and subsequently to 10 per cent. gave no benefit to the Indian steel in the Bombay market. They however found that the levy of 10 per cent. duty coupled with the increase of railway freight from Bombay to Delhi and the Punjab to about Rs. 2-8 per cwt. prevented those provinces from buying from the Bombay market and their information was that Tata Iron and Steel were able to capture those markets for their products." Is it your suggestion that the railway freight from Jamshedpur to Delhi is a good deal less than that for the imported stuff from Bombay to Delhi.

Mr. Trivedi.—Yes.

President.—Have you got any figures to put before the Board?

Mr. Trivedi.—I have calculated the freight from Bombay to Delhi at Rs. 2-8 per cwt.

President.—All you have said is "the increase of railway freight from Bombay to Delhi and Punjab is about Rs. 2-8 per cwt." You have not said what the freight from Jamshedpur to Delhi is.

Mr. Trivedi.—That is given by Tatas here. It is something like Rs. 12 a ton

President.—What have you got to pay per ton from Bombay to Delhi?

Mr. Trivedi.—Rs. 50.

President.—And your case is that it is only Rs. 12 for Tatas. But is that a figure you are certain of?

Mr. Trivedi.—They have given Rs. 15-4 and it will be now Rs. 20 at the most.

President.—You are quite definite in your answer. You say you have to pay more from Bombay to Delhi. If it is so, it means an advantage of about Rs. 35 a ton and the import duty on the steel coming in at £8 would be Rs. 12. That is to say, the total advantage would be Rs. 47 a ton. Tata's steel is able to undercut Continental steel?

Mr. Trivedi.—Yes.

President.—Well, now, further on in your representation you say "In any case my committee has strong reason to believe that even with the high tariff the Company will not be able to sell its steel in the Bombay market against the Continental steel". Now if the duty were raised from 10 to 33⅓ per cent. it would mean, supposing that we again take £8 as the c. i. f. price, Rs. 40 a ton advantage. On the other hand of course the nearer you get to Bombay the greater the reduction would have to be on the freight from Jamshedpur, so that within the Bombay area the actual advantage they would enjoy would be something less than Rs. 40. Supposing the duty was Rs. 40, then if it was in Bombay itself you would have to take off Rs. 15—the freight which the Continental steel would not have to pay—so that actual advantage would be about Rs. 25. Is it on that basis that you have arrived at the conclusion that Tata's steel cannot compete in Bombay?

Mr. Trivedi.—In my second statement I have explained the matter fully. Have you got that statement. I sent it to Prof. Kale as I did not know the address of the Secretary.

[The statement* was read from the Chair.]

President.—Before we go any further, I would like to put this question. Has this written statement been approved by the Bombay Iron Merchants Association?

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*Statement II.

Mr. Trivedi.—Yes.

President.—It does not purport to be so. It is written entirely in your own name from beginning to end.

Mr. Trivedi.—It has been written on the lines approved by them.

President.—It does not say so.

Mr. Trivedi.—It has been drafted on the lines approved by them; they left it to me.

President.—In that case it should have been said so because from beginning to end opinions are expressed as your personal opinions.

Mr. Trivedi.—No.

President.—Pardon me, they are.

Mr. Trivedi.—I have given facts here to substantiate the first statement of the Association.

Mr. Ginwala.—Would it be difficult for you to place this matter before a meeting of the Board of your Association and have their formal sanction?

Mr. Trivedi.—That can be done to-morrow. I placed this before you as I thought it would help the Board.

President.—I think it would be better if you did that because as it stands at present there is literally nothing to show that this is the opinion of the Association.

Mr. Trivedi.—But the statement as a whole is merely an amplification of the first statement of the Association.

President.—Here is your letter to the Tariff Board "I have the honour to send you herewith 3 copies of my written evidence which I propose to give to-morrow. I was busy with my Council election. I am rather late and hope to be excused." There again there is no reference to the Association. I think it would be desirable, if it is to be taken as the opinion of the Association, that it should be definitely approved by your committee.

We diverged on to this when we were dealing with the question of railway freight. You had expressed an opinion that even with a high protective duty the Tata Co. would not be able to compete on the Bombay side with the imported steel?

Mr. Trivedi.—Yes.

President.—What I put to you was this: taking the c. i. f. price of Rs. 120, the duty at 33⅓ per cent. would be Rs. 40, but in Bombay the advantage of Rs. 40 a ton which the Tata Co. enjoyed would be reduced by the railway freight to about Rs. 25 a ton and I asked whether it was on that basis that Rs. 25 a ton would be an insufficient advantage that you thought that the Tata Iron and Steel Co. would not compete in Bombay.

Mr. Trivedi.—I took my basis not £8 but £7 because this is what my experience shows would be the price for a long time, and therefore I calculated that with the full protection as asked for the price will come to Rs. 150, whereas the Tata Co.'s price is Rs. 200, and only when they come down to Rs. 150 will there be some advantage. Till then the consumer would be unnecessarily taxed.

President.—That is to say, to sell at Bombay at Rs. 150 they must be able to sell at Jamshedpur at Rs. 135?

Mr. Trivedi.—Yes.

President.—Apparently your view is that it was the increase of the duty to 10 per cent. that enabled the Tata Co. to capture the up-country market?

Mr. Trivedi.—Coupled with the concession freight and the increase of ordinary freight there has been since the war.

President.—The increase in duty was made in March 1922?

Mr. Trivedi.—Yes.

President.—When did the increase in freights take place?

Mr. Trivedi.—About the same time, I think.

President.—What were the freights before?

Mr. Trivedi.—I think they have increased the freights by about 50 per cent.

Mr. Ginwala.—Surely not. I think it was 25 per cent. on the last increase

Mr. Trivedi.—I am not sure about that.

President.—Can you give us any figures showing the reduction in the amount of steel that was sent up-country from Bombay to Delhi as between 1921 and 1922?

Mr. Trivedi.—No, I cannot give you figures. I will make enquiries in the market but U. P. buyers all say that they buy direct now.

President.—You know from your own experience that your customers in the Punjab and the U. P. do not come to you now?

Mr. Trivedi.—No.

President.—At any rate not to the same extent?

Mr. Trivedi.—Yes.

President.—I take it there are certain kinds of steel that the Tata Co. do not produce?

Mr. Trivedi.—Yes.

President.—Naturally there is still a demand in the up-country for imported steel of these kinds?

Mr. Trivedi.—Yes.

President.—At the end of your original representation you say that, if protection is considered necessary, it should extend only to such articles of iron and steel as are manufactured in India on a sufficiently large scale and not to articles of iron and steel imported. Then you go on to say "the Indian Steel Companies at present manufacture only rails, bars, angles, tees, channel, pig iron, wires and wire nails while such articles as rods, plates, sheets, black or galvanized, are not manufactured here." Have you acquainted yourself with the plans of the Tata Co. for this kind of steel to be produced in the Greater Extensions?

Mr Trivedi.—I understand that lately they are producing plates and sheets.

President.—They have produced plates in small quantities so far but they are equipped to produce plates of all grades in considerable quantities and also sheets. They are also under a contract to supply rods to the Indian Steel Wire Products Co. On this basis that the Tata Co. are equipped to produce steel of these kinds and are likely to start producing them in 1924, would you still consider that no protective duties should be levied on these?

Mr. Trivedi.—If they produced sufficiently for the purpose of trade then I should include these articles also.

President.—That is to say, they must be treated on the same footing as the articles they already produce; what applies to the one applies to the other?

Mr Trivedi.—Yes, if they are produced in sufficiently large quantities.

President.—In this second representation you calculate that as Government and the Railways require about 300,000 tons of steel and as Tatas will produce about 400,000 tons of steel, it will be sufficient if Government and the Railways are required to purchase the whole of their steel from the Tata Iron and Steel Co.

Mr. Trivedi.—Yes.

President.—That would mean, would it not, that the Tata Co. would receive no protection as regards the kinds of steel which are not required in large quantities by Government and the Railways?

Mr. Trivedi.—Yes.

President.—So that a good deal of their equipment for the Greater Extensions could not be worked?

Mr. Trivedi—That would be only a quarter of their output. They can sell that in Upper India.

President.—It remains to be seen; you cannot assume that they will be able to capture the upper India market in all these kinds of steel. I think you would find, if you went into it in detail, that the railway and Government requirements included a good deal of steel that the Tata Co. would not produce. Take, for instance, wheels and axles for railway carriages; the Tata Co. do not produce them, but that is a very considerable item in the railway demand. So that there is a considerable reduction to be made from the 300,000 tons that

Government and the Railways will purchase, and also, as far as I can judge—I have had no time to look up the figures—it seems to me doubtful whether this proposal, which may be admissible on other grounds, will really meet the case.

Mr. Trivedi.—Their competition is against British import.

President.—In fact it would amount to this that the Tata Co. would receive protection on a part of their production and none at all on the rest.

Mr. Trivedi.—For that reason I have suggested two methods—they may capture the upper India market.

President.—Quite so. The facts to which you draw attention about the upper India market—assuming that the facts are correct—are very relevant and the Board must take them into consideration in any recommendations that they make as to the amount of protection that is required. But apart from that your proposal means that special assistance should be given by Government as regards part of the output but not as regards the remainder?

Mr. Trivedi.—For which I feel there will be enough of market without protection.

President.—I recognize that, but I still put it to you that the effect of your proposal will be that they will receive special assistance as regards part of their output and not as regards the remainder.

Mr. Trivedi.—Yes, for which they do not require protection.

President.—In that case would it not be necessary to give greater assistance as regards the part of the output so as to cover the unprotected part? That is to say, if an extra 10 per cent. was sufficient on an average on the whole of the output, if you give it on only half the output, it would have to be doubled.

Mr. Trivedi.—Even if you give it they will not be able to capture the Bombay market: that is my contention.

President.—After all Bombay is not the only province—it is a very important part of the British Empire but we must not take a parochial view—we must ask the Bombay merchants to consider the interest of India as a whole.

Mr. Trivedi.—Yes, but then you would dislocate business unnecessarily and impose a tax on the consumers without giving any standing to the Tata Co. in the Bombay market. Even with this protection they will not be able to compete in the Bombay market.

President.—I quite understand your point.

Mr. Trivedi.—I am ready to help them, and I think that Government should find out some means to help them? but not unnecessarily at the expense of the Bombay consumers.

President.—Suppose you were met with this rejoinder—supposing someone else said "It is all very nice, but as a railway traveller I am going to pay higher railway freights, as a consumer I am going to pay extra taxes"?

Mr. Trivedi.—As an Indian everybody should pay.

President.—But the expense will be thrown on them?

Mr. Trivedi.—"Everybody" includes iron and steel consumers as well as the others, but here it will only be the iron consumer who will pay, so it is a better position that the whole of the Indian public should pay it.

President.—Yes, but do you think it makes very much difference in the long run whether the consumer pays through the price or whether he pays on the railway freight?

Mr. Trivedi.—It falls on bigger shoulders whereas here it falls on the poor shoulders of the agriculturists.

President.—Well, what I suggest is this: I think there is still a fallacy lurking in your mind somewhere that Government have got inexhaustible resources from which they can meet this demand. I suggest to you that the only purse Government have got is the purse of the taxpayer—there is no other.

Mr. Trivedi.—Is it not the principle of protection that it must enable the company to capture the market? On the whole, even if you give them an additional 23½ per cent., it will not serve their purpose. Government may get more money by increased duties.

President.—I am coming to that presently. What I have put to you is this: the railway companies which manage the State owned Railways do so under contracts with the Government of India and the Secretary of State. do they not?

Mr. Trivedi.—Yes.

President.—Would it not be a somewhat summary legislative interference to require them to purchase certain articles exclusively in India?

Mr. Trivedi.—This has been done in all legislatures out of patriotic motives: Australia did it.

President.—This is patriotism at the expense of the shareholders of the companies.

Mr. Trivedi.—For a certain time, because it is a national industry which is worth preserving.

President.—You are going to raise the expense of the Railway companies and reduce the dividends of the shareholders. It is not a matter to be treated lightly. The legislation you propose might be represented as confiscatory. That is to say, you take one particular set of companies and pass legislation which does not apply to other companies, compelling them to purchase certain articles exclusively in India at a higher price.

Mr. Trivedi.—The alternative would be a protective duty on English goods; so that this is a better method in my opinion.

President.—Supposing a firm started to manufacture cotton machinery in India, do you think it would be just to compel the Bombay cotton industries to purchase their machinery from that company?

Mr. Trivedi.—If not, you will have to levy a protective duty on the machinery that is coming in: there are these two alternatives

President.—I am asking your own view about this matter.

Mr. Trivedi.—I am not connected with the cotton trade, so I cannot say.

President.—Do you think it would be fair?

Mr. Trivedi.—There was recently a proposal in the Indian Merchants Chamber that all these millowners should agree to buy Indian coal even at a higher price.

President.—Supposing it was made compulsory?

Mr. Trivedi.—I think people at present are prepared to agree to that.

President.—I see you are still a little unwilling to give us your own opinion.

Mr. Trivedi.—Situated as we are at present Indian people are prepared in all trades to make some sacrifice.

President.—Are you prepared to give your own opinion whether this is fair?

Mr. Trivedi.—Looking to the present circumstances I would agree if I were there.

President.—It will be a very novel form of legislation, I suggest to you. You have made a further proposal that there might be a duty of 5 per cent. in Calcutta but no duty in Bombay?

Mr. Trivedi.—That is on account of the difference in railway freight. If by that the Tata Co. are unable to capture a part of the Calcutta market, then I say if circumstances justify that—I leave it to the Board to find out. . . . . .

President.—Do you know of any country in the world which is a unit for customs purposes that has a differential rate of duty which applies to one part and not another?

Mr. Trivedi.—No.

President.—Take the case of the United States which is even a larger country than India. As you are no doubt aware, the whole of the iron and steel is produced in the east of the country and there is very long freight to be paid to the Pacific coast, but I do not think I have heard it suggested that it was unfair to put a duty on at San Fransisco because Pittsburg steel could never get across to compete.

Mr. Trivedi.—I suggest it only if it is possible, if circumstances justify it. I mean that Calcutta being nearer to Jamshedpur if it can help them in that way then you may think of it.

President.—I understand you to say that the suggestion was not made seriously?

Mr. Trivedi.—After what you put as the United States example I say I am not very serious in pressing it.

President.—I think it can be shown without much difficulty that this leads to partition and separation.

Mr. Trivedi.—Yes.

President.—Another proposal that you have made is that if increased duties were considered necessary they should be levied on British steel but not on Continental steel.

Mr. Trivedi.—Yes.

President.—Take the case of bars which are probably imported from the Continent?

Mr. Trivedi.—Yes.

President.—Assuming that protection is necessary, the Tata Co.'s bars must replace the Continental bars because British bars are not important enough to matter?

Mr. Trivedi.—They must adjust their production in such a way that bars can be rolled in sufficient quantities for the markets which they are able to capture. My contention is that even if you give them 33⅓ per cent. protection they will not be able to compete with Continental steel bars.

President.—But is it true to say that the Tata steel does not compete with the Continental steel? Is it not competing successfully in some markets?

Mr. Trivedi.—Not in the Bombay market.

President.—But are you going to suggest that the Bombay market is more important than the rest of India put together?

Mr. Trivedi.—The Bombay market imports 4 lakhs of tons of steel altogether.

President.—In the face of what I have pointed out to you as regards bars do you still press the proposal that the import duty should be levied on British and not Continental steel?

Mr. Trivedi.—My point in making this distinction is this. The Tata Iron and Steel Co. have said in their evidence that 60 per cent. of their output (it would be one-sixth later on) is rails, so that their chief necessity is to sell rails to the Railway companies.

President.—Surely that is not so when the Greater Extensions come into operation.

Mr. Trivedi.—They said one-sixth of their output.

President.—If it is only one-sixth it may not be the main thing.

Mr. Trivedi.—There are other things which the railways buy from England so that if you enable the Tata Iron and Steel Co. by an additional duty to compete against British steel it is worth while doing it. When they have been able to secure that, then it would be time enough to think of enabling them to meet Continental competition. At present in my opinion they are not in a position to compete with Continental steel.

President.—If the articles that the Tata Iron and Steel Company propose to produce are of such a kind that they must displace Continental steeel, then surely protection is useless if the duty is not put on the Continental article?

Mr. Trivedi.—What is the difference between the two? At present their price is Rs. 200 whereas with 23⅓ per cent. Continental bars will be Rs. 150.

President.—Your contention is that they cannot compete on the Bombay side. That is of some importance no doubt but not very much. I suggest to you that it is not a very important factor.

Mr. Trivedi.—I think it is in view of the 4 lakhs of tons of import.

President.—Whatever the import into Bombay is, I suggest to you that we are dealing with the question of tariff policy in a great country and we have got to consider the country as a whole. We cannot cut the country into bits and consider particular districts only.

Mr. Trivedi.—That is quite true, but my point is this that if you raise the prices artificially by putting a duty the consumers will have to pay it while the Tata Co. will not be benefitted to that extent.

President.—That always happens under a system of protective duties. It happens in any large country as a whole. It cannot be helped.

Mr. Trivedi.—I am concerned with the Bombay Presidency. My point is that even if you give them high protection, they will not be able to capture the Bombay market and the Bombay consumers will be unnecessarily taxed.

President.—Very well, supposing that is so?

Mr. Trivedi.—I leave it to you afterwards I have put my case before you.

President.—That invariably happens under a system of protective duties. In a country of the size of India, if you granted protection high enough to enable the local producers to capture the markets all over the country, it would be most unnecessarily high in the parts of the country which are near the works. That is an inevitable consequence.

Mr. Trivedi.—If it is so, we shall have to bow down. I have put my point before you and I do not resist any help that may be ultimately given to Tata's.

President.—Please don't misunderstand me. I don't object to what you have said, but my business is to look at the matter from the other side and point out the difficulties.

Mr. Trivedi.—My fear is that, even with this high protection, unless other means are taken to bring down the prices of production, the ultimate goal will not be reached. That is what I have said at the end of my second statement.

President.—Do I understand that you press your proposal that the duty should be imposed on British steel and not on Continental steel?

Mr. Trivedi.—In the first instance.

President.—Supposing that were done, the difference between the price of the Continental steel and the price of the British steel would be very great.

Mr. Trivedi.—Rs. 150 and Rs. 200.

President.—Would not the result be that the consumer would begin to use Continental steel for purposes for which he had hitherto used British steel or Tata steel?

Mr. Trivedi.—But the consumers don't use British steel. It is only the Railway companies, Port Trusts and semi-Government bodies that use British steel.

President.—What about the galvanised sheets?

Mr. Trivedi.—Galvanised sheets and hoops are the exceptions.

President.—Don't you think that a considerable quantity of galvanised sheets is imported and that it is mostly British?

Mr Trivedi.—I know it comes from England. Except galvanised sheets and hoops, no other article which is used by common people in India is British.

President.—Take the structural steel which comes from England and which is used largely in Calcutta, Bombay and other places for building purposes.

Mr Trivedi.—Continental steel is also used. In fact Continental steel is being bought and passed off as British steel.

President.—Who is doing so?

Mr. Trivedi.—The Bombay Port Trust.

President.—Who is passing it off as British steel?

Mr. Trivedi.—The buyer, whoever is in charge of the department.

President.—I don't quite follow, I am afraid.

Mr. Trivedi.—I know of instances in which the Bombay Port Trust asked for tenders for British steel, but they were supplied with Continental steel which was passed as British steel.

President.—Is it not possible that they might have said that the steel must be up to British specification?

Mr. Trivedi.—That would be all right, but that is Continental steel.

President.—Is not the steel, though made in the Continent, up to the British standard?

Mr. Trivedi.—That is my point.

President.—Why should that steel be exempted from the protective duty?

Mr. Trivedi.—Because it is cheaper at present.

President.—Surely that is not a reason for exempting it from the duty, but that is a reason for putting a higher duty on the Continental steel.

Mr. Trivedi.—Well, it will not serve your purpose, because it is so cheap.

President.—Have not you got to distinguish between these two cases? There is the Continental steel which is of the same quality as the British steel and nevertheless coming in cheaper, and the steel which is not.

Mr. Trivedi.—It is not the fault of the Continental works that they make it cheaper.

President.—I am not suggesting that there is any fault. What I am suggesting is that they actually do produce steel of a lower quality for which there is a demand and there is no harm in it. They are perfectly entitled to produce it.

Mr. Trivedi.—Why should the consumer be prevented from buying it cheap?

President.—Your argument that duty ought not to be imposed on the Continental steel could only apply to steel of a lower quality.

Mr. Trivedi.—That is Continental.

President.—The effect of your proposal will be to exempt from the protective duty the steel which is of the same quality as the British steel.

Mr. Trivedi.—You mean the Continental steel which comes up to the British standard?

President.—Yes.

Mr. Trivedi.—Even there it is cheaper.

President.—But that is not a reason for exempting it. It is a reason for putting on it a higher duty. My point is this. Now Tata's manufacture only steel up to the British standard and they want to capture that market. But if you allow the Continental steel which is up to their standard to come in free of protective duty, then you are not protecting Tata's.

Mr. Trivedi.—At present there is no market. Nobody is buying Continental steel up to the British standard. Even though they tender, they are not able to introduce that steel in India.

President.—Have you read the newspapers of the last few days?

Mr. Trivedi.—Yes.

President.—Did you read about the purchase in Austria by the G. I. P. Railway?

Mr. Trivedi.—They purchased locomotives and not rails. I tried to introduce rails of British standard.

President.—It is an article made of steel.

Mr. Trivedi.—Though these rails are up to the British standard yet the railway companies won't buy them because the Railway Board refuse to recognise anything but British steel.

President.—That may be so. As regards rails they are bound by the orders of the Railway Board, but you did not make your statement about rails only. You made it much broader.

Mr. Trivedi.—I think that the railways' chief demand is rails.

President.—That is your opinion. I am not prepared to say that it is correct.

Mr. Trivedi.—Rails, plates, angles, etc., form a large proportion of the Railways' demands. In all these things there is no demand at present for Continental steel which is manufactured up to the British standard.

President.—I have only one more question to ask as regards the enclosure to your original representation.* It is a letter from your brother, I understand

*Appendix A to Statement I.

Mr. Trivedi.—About dumping?

President.—Yes. You sent an extract from the German Controller of ferrous exports which I will read: "I beg to confirm herewith that the German rolling works whose deliveries for foreign countries are under my control, do not quote any cheaper prices for bars, joists, rails, sheets, etc., for sale to India, than to any other foreign country." Do you think that is evidence to show that there is no dumping going on?

Mr. Trivedi.—What Mr. Peterson wants to make out is that there is one price of home consumption and that there is another price for export.

President.—Quite

Mr. Trivedi.—Mr. Peterson said that there was too much dumping from Germany and Belgium and so I produced this letter.

President.—Do you realise that the German Controller does not say that they do not sell lower in India than they do in Germany. All that he says is that they do not sell lower in India than in other foreign countries. This is not evidence against dumping.

Mr. Trivedi.—I give it for what it is worth.

President.—All that he says is practically this: that they are not dumping in India any more than in any other place. This is the sum and substance of it.

Mr. Trivedi.—I have not got a copy of the letter here with me.

President.—If you want to look at it, here it is (hands the letter to the witness).

Mr. Trivedi.—He says that.

President.—So far as the letter goes, it merely proves that they have got the same policy in all foreign countries, but it may be a different policy in their own country.

Mr. Trivedi.—For that I refer you to the statement.

President.—In the letter itself there is a general statement I don't wish to go into details

Mr. Trivedi.—If you want me to say something about dumping, I will.

Mr. Ginwala.—What is the name of your firm?

Mr. Trivedi.—Trivedi & Co.

Mr. Ginwala.—How long have you been carrying on this business?

Mr. Trivedi.—Since 1915

Mr. Ginwala.—Have you any practical experience of steel making?

Mr. Trivedi.—No.

Mr. Ginwala.—This is the first time that we hear, as far as I remember, that there is or is likely to be more competition from Great Britain than from the Continent.

Mr. Trivedi.—I think that Mr Peterson's evidence also shows that.

Mr. Ginwala.—Let me make myself clear on that point All the evidence that we have had goes to show that there is more competition against Tata's, in the kind of steel that Tata's manufacture, from the Continent than from Great Britain.

Mr. Trivedi.—At present Tatas are manufacturing mostly rails

Mr. Ginwala.—Excluding rails.

Mr. Trivedi.—Of the articles which they produce at present they say that 60 per cent. is rails.

Mr. Ginwala.—We are not dealing with the question only with reference to the immediate present. We are dealing with the question of steel as a whole. As far as we can gather, the position is this: that in respect of the kind of steel, excluding rails, that is now being manufactured by Tatas or may be manufactured hereafter by others in this country, competition is likely to be more from the Continent than from Great Britain. If that is the position, does it stand to reason that we must put a higher duty on steel coming from Great Britain than from the Continent?

Mr. Trivedi.—Then, I would say that the present demand from the Tata Iron and Steel Co. for 33⅓ per cent. is inadequate. They will have to ask for more.

Mr. Ginwala.—If that is so they may have to get more, but if the position is, as I have explained, will you still insist upon putting a higher tariff on Great Britain than on the Continent?

Mr. Trivedi.—First of all the competition with England must be killed.

Mr. Ginwala.—I think that you would admit that we are not making any enquiry into the steel with regard to Tatas alone.

Mr. Trivedi.—There is no other company manufacturing steel at present.

Mr. Ginwala.—But you don't suppose that the Government have appointed a Tariff Board in order to protect a particular firm?

Mr. Trivedi.—No particular firm, but the industry.

Mr. Ginwala.—Let us look at the industry as a whole and I ask you as a practical business man to look at it as if this Board were to make their recommendations not with regard to Tatas—forget that they are in the field—but with regard to the future of the industry and of this country; would it be reasonable to exempt the Continental steel and impose a higher duty on the British steel?

Mr. Trivedi.—Therefore my opinion is that the Board will have to seriously think whether they can meet the Continental competition at all. Their pre-war price was £5.

Mr. Ginwala.—I shall put the question differently. It does not matter where the competition comes from It it comes in greater intensity from one quarter, then it must be specially met.

Mr. Trivedi.—Yes.

Mr. Ginwala.—So that, as I have stated to you, if you discover that it is really the Continental steel which competes against the local manufacture of steel and which is likely to compete against it, would you agree that special steps should be taken against that competition?

Mr. Trivedi.—I cannot say. You may take special steps I have no objection to that, but you must also see that you don't unnecessarily tax the consumer while you don't help in any way the industry.

Mr. Ginwala.—If the industry cannot be helped except by enabling it to compete against foreign countries which really do compete with the local industry, what are we to do?

Mr. Trivedi.—In my opinion, the duty of the Board is to see that the industry grows and captures the market at the same price in a reasonable number of years. Here my point is that unless you raise the tariff to 75 per cent., you will not be able to meet the Continental competition.

Mr. Ginwala.—I take it that you are a protectionist?

Mr. Trivedi.—Perfectly.

Mr. Ginwala.—I want your opinion on this point. If the ultimate object of protection is to enable India to meet its requirements locally, then it is necessary that that industry must be encouraged to come forward and produce all the requirements of the country.

Mr. Trivedi.—Yes.

Mr. Ginwala.—Now we shall assume that Tatas really want to compete only against Great Britain and therefore shall say "All right, put a high tariff against Great Britain so that competition is killed." How will that enable any new investor to come forward under such a policy?

Mr. Trivedi.—It cannot.

Mr. Ginwala.—If you only put a higher tariff against Great Britain and prevent Great Britain from coming in, how is the Continental market to be captured?

Mr. Trivedi.—My idea is that there is no room in India for another works at present unless you have successfully met the first competition. After you have done that, think of the other competition, but you cannot meet all competitions at the same time

Mr. Ginwala.—Can you suggest any way in which the competition from the Continent—I am not dealing with Great Britain now—can be met?

Mr. Trivedi.—Take the Continental producers in confidence. Co-operate with the Continental producers.

Mr. Ginwala.—How can we co-operate?

Mr. Trivedi.—You have imported American labour. Why don't you import labour from the Continent?

Mr. Ginwala.—I am talking merely of the industry as a whole.

Mr. Trivedi.—My point is, if you import Continental labour . . .

Mr. Ginwala.—Leave that point for the moment. Having disposed of the British manufacturer, there is still the Continental manufacturer. Some one has to come forward in this country to meet that Continental competition. Therefore in order to enable this country to meet the Continental competition would it not be necessary to protect steel?

Mr. Trivedi.—Yes.

Mr. Ginwala.—And protection must be given against the Continental manufacturer?

Mr. Trivedi.—Yes.

Mr. Ginwala.—I think you have suggested, in my view rightly, that in this country steel must be manufactured by Indian agency as far as possible.

Mr. Trivedi.—Yes.

Mr. Ginwala.—You suggest also with some degree of force that the Tata Iron and Steel Co. have not got a Director on their Board who personally understands steel making.

Mr. Trivedi.—I say steel business and not steel making.

Mr. Ginwala.—Therefore you think that they are at a disadvantage?

Mr. Trivedi.—They are at the mercy of the General Manager.

Mr. Ginwala.—You suggest that one of the Directors should have some direct knowledge of the methods, etc.?

Mr. Trivedi.—There must be somebody who is able to sift the proposals placed before the Board by the expert.

Mr. Ginwala.—At present as India is situated, is there a man whom you can mention, amongst Indian (don't be afraid) who can really claim to be in that position at present?

Mr. Trivedi.—There are European merchants. You can take them. They understand steel business very well.

Mr. Ginwala.—We have been trying to find one even among Europeans but we could not find.

Mr. Trivedi.—If I had something to do, I would have suggested.

Mr. Ginwala.—Is there any one you can name?

Mr. Trivedi.—They are not on the Board of Directors.

Mr. Ginwala.—But you suggest that there are such persons available in this country, who possess the special knowledge that you are talking of and who are not on the Board of Directors.

Mr. Trivedi.—Yes

Mr. Ginwala.—I am very glad to hear it. You say that there is more American labour employed, that is, more expert labour than is necessary?

Mr. Trivedi.—Yes.

Mr. Ginwala.—Have you been in touch with the Tata management?

Mr. Trivedi.—No, but I have been several times to the Works.

Mr. Ginwala.—Have you followed the history of their management?

Mr. Trivedi.—I think so.

Mr. Ginwala.—You know as a matter of fact they had a number of Germans and Belgians before the war?

Mr. Trivedi.—Yes.

Mr. Ginwala.—Is it your suggestion that when the Germans and Belgians were there, the cost of production was lower than now?

Mr. Trivedi.—No. My first point is that the initial mistake was that they went to the wrong country.

Mr. Ginwala.—I am coming to that. I am talking merely of the management at present. Do you suggest that when they had Belgians and Germans in charge of the various Departments, their costs were lower than they are now?

Mr. Trivedi.—In the beginning it was a different thing. At present Germans can be had for anything. You can have them now very cheap.

Mr. Ginwala.—Do you think that it will be possible now to get the class of Germans that you have in mind?

Mr. Trivedi.—Why not? German Iron Works are now idle and you can have any number of men.

President.—Do you recognise that no Germans can enter India except by special license under the peace treaty?

Mr. Trivedi.—There is an exception made. If the country wants them, they will be imported and they could be imported under a special license. There is no difficulty.

Mr. Ginwala.—Have you any evidence to show that their wages will be smaller?

Mr. Trivedi.—At present their living is simple. It is apparent.

Mr. Ginwala.—You cannot say that it is apparent.

Mr. Trivedi.—I think everybody can understand that—that Germans can be had cheaply.

Mr. Ginwala.—Do you know that the plant at Jamshedpur is an American plant?

Mr. Trivedi.—Yes.

Mr. Ginwala.—Have you visited any Continental plants yourself?

Mr. Trivedi.—No.

Mr. Ginwala.—Or British plants?

Mr. Trivedi.—No.

Mr. Ginwala.—The case for the American plant is that it has got more labour saving appliances on the whole than other plants because they say that in America they have labour trouble to a much larger extent than they have in Great Britain and on the Continent. Therefore their machinery is so devised that you can do with the minimum possible human labour. That was one of the reasons assigned for the introduction of the American plant rather than any Continental plant. Do you accept that as a good reason or not?

Mr. Trivedi.—That may be. My point is if you are a practical man and if you want to compete with a certain industry of a certain country, then you must find out the methods by which that country is able to produce cheap, and therefore I say that the initial mistake was that they did not study the methods and working of the Continental steel works and they rather went to America.

Mr. Ginwala.—What makes you think so? We have got no evidence before us so far.

Mr. Trivedi.—From talks I had with the Tata Iron and Steel Co. people, I could see that they made no such effort.

Mr. Ginwala.—Do you mean to say that they made no effort to study the Continental methods?

Mr. Trivedi.—Not so seriously as they did to study the American methods. Even now the whole outlook shows that they still think that it is the British steel that they have to compete with. There is not enough said in their evidence about the Continental competition at all. It is you only who take that view, but Mr. Peterson's evidence does not show that.

Mr. Ginwala.—I don't take any view.

Mr. Trivedi.—It is the right thing to do. Mr. Peterson's evidence does not show that they are very anxious to meet the Continental competition. My point is that unless they try and meet the Continental competition, it is not possible for the steel industry in India to flourish.

Mr. Ginwala.—That is the kind of evidence we have had.

Mr. Trivedi.—I don't think that Mr. Peterson has taken that view.

Mr. Ginwala.—Mr. Peterson is not the only witness who has been examined.

Mr. Trivedi.—I have not followed others.

Mr. Ginwala.—You say that the Continent is able to manufacture steel at less cost than Great Britain or America, because you are able to get steel cheaper?

Mr. Trivedi.—Yes.

Mr. Ginwala.—There are other factors in the cost of production which determine the selling price. Did you take all those factors into account?

Mr. Trivedi.—What are they?

Mr. Ginwala.—Exchange, for instance.

Mr. Trivedi.—It has no appreciable effect on the cost of production at present.

Mr. Ginwala.—I mean on the selling price.

Mr. Trivedi.—There I want to make a statement and it is this: the depreciated exchange which it is said tends to make the Continental steel cheap, does not disturb the price except for one or two days. The prices vary according as the exchange falls or rises.

Mr. Ginwala.—You say that the exchange has got very little to do with the cost?

Mr. Trivedi.—Yes. We buy large quantities from Belgium. We have got our man there. Suppose to-day the exchange falls, our price will be fixed according to it.

Mr. Ginwala.—This is somewhat different from what we have heard. The majority of witnesses, I think, have said that the Continental prices are so low for the reason that the exchange is bad.

Mr. Trivedi.—That is not true. We raise the price from day to day as exchange is weakened.

Mr. Ginwala.—I think you said something about the cost of production I do not know what you meant by 20 per cent.

Mr. Trivedi.—Here is the letter I have referred to in my second statement and I am putting this in.*

Mr. Ginwala.—This letter is in French and also refers to 20 per cent.

Mr. Trivedi.—I am giving it to you for what it is worth.

Mr. Ginwala.—It means that the wages paid to labour is 20 per cent. of the cost but the translation does not seem to be correct.

President.—As it stands in his statement is that what he thinks it means?

Mr. Ginwala.—The original French letter is all right but the translation is incorrect.

President.—You say "the cost of labour, etc., in Belgium for producing one ton of steel from ore and coke is only 20 per cent. whereas Tatas' cost is very much higher."

Does that mean 20 per cent. of the total cost of production?

Mr. Trivedi.—I was not sure. I received the letter only last Saturday. I give it to you if it can help you.

President.—These are the original letters. Perhaps it would be better if you will hand over this so that it can be translated.

Mr. Trivedi.—I am putting it in in original: I have taken a copy.

Mr. Ginwala.—By whom was this letter written?

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*Appendix B. to Statement II.

Mr. Trivedi.—It is said there in the covering letter in reply to which this letter was sent.

Mr. Ginwala.—That is from the Industrial Committee of Belgium. But who sent you this?

Mr. Trivedi.—From my firm in Belgium. It came as an enclosure to my firm's letter. I had asked for certain evidence to show why Continental steel was cheaper.

Mr. Ginwala.—It hardly gives us any assistance in the form we require.

Mr. Trivedi.—I give it to you for whatever it is worth.

Mr. Ginwala.—What are the principal kinds of steel you import? Do you import rails?

Mr. Trivedi.—None except for bazaar purposes. We import some for bazaar purposes.

Mr. Ginwala.—Are they up to the British Standard specification?

Mr. Trivedi.—Yes.

Mr. Ginwala.—It will be of some importance if you can give us the c. i. f. prices of rails from 1915 onwards.

Mr. Trivedi.—I will furnish you with them later on from my files.*

Mr. Ginwala.—The point is this: Tatas said that they sold rails to Government at below the British c. i. f. prices. We want some evidence on that point. If you can send us this it will be helpful. But are these heavy sections that you import?

Mr. Trivedi.—Generally it is up to 40 lbs.—light sections.

Mr. Ginwala.—Then you may give us these prices c. i. f. in rupees.

Mr. Trivedi.—We are selling in £ to merchants and we convert it afterwards according to the current rate of exchange.

Mr. Ginwala.—If you can give us the highest and the lowest prices for these years according to the rate of exchange prevailing we shall be glad.

Mr. Trivedi.—I shall send them to you to-morrow.* Would you like to have prices for bars, angles, etc.?

Mr. Ginwala.—Yes if you can give us them. I think your contention is that railways are to be compelled to buy rails in this country even at a higher rate than they can in Great Britain. Your idea was that it would not cost them any more if they are compelled to do that than if you put a heavy duty on the imported rails. Is that what you mean?

Mr. Trivedi.—Yes.

Mr. Ginwala.—With regard to your proposal to have different tariffs, I understand you have now given it up?

Mr. Trivedi.—Yes. I have given it up.

Mr. Ginwala.—About this dumping from Germany, have you read recently an order from a German authority which said that export prices were to be 30 per cent. lower than the home prices in Germany? That is an official document issued. Have you read that?

Mr. Trivedi.—No.

Mr. Ginwala.—If such a document was issued would you admit that Germany was dumping?

Mr. Trivedi.—Yes.

Mr. Ginwala.—Is there any official publication issued by your Association or anybody who gets these bars, etc., showing the current market prices of steel and so on?

Mr. Trivedi.—No. Some of our merchants give it to their customers but as an Association we do not publish anything.

Mr. Ginwala.—Is any official document published giving the local prices?

Mr. Trivedi.—No.

Mr. Ginwala.—If anybody has to enquire he has to go to the market?

**Vide* Statement III.

Mr. Trivedi.—Yes. In Saturday's issue of the local Times, they give the prices. Some of us connected with the market are asked to give them and we give.

Mr. Ginwala.—I saw there that the prices of some of the materials had gone down and they expected a further decline. You think that is in accordance with the present situation?

Mr. Trivedi.—Yes.

Mr. Ginwala.—Can you give us any reason why the prices are dropping down?

Mr. Trivedi.—Locally?—On account of too much stock.

Mr. Ginwala.—And the European prices are also going down?

Mr. Trivedi.—That is owing to release of things from the Ruhr. In 10 days it has gone down by 10 shillings.

Mr. Ginwala.—Has there been any drop in the British prices?

Mr. Trivedi.—We do not deal so much with Great Britain except in corrugated sheets and there has not been much drop.

Mr. Ginwala.—Do you sell any steel to Government, Public Bodies, Port Trust, etc.?

Mr. Trivedi.—No. We sell only to merchants. I am doing commission business.

Mr. Ginwala.—Do you import any machinery?

Mr. Trivedi.—No. Iron is my special line.

Mr. Kale.—Can you tell me what effect has been produced upon Indian cultivators and agriculturists generally by the increased duty on steel?

Mr. Trivedi.—They find the articles very dear now.

Mr. Kale.—Have you got any evidence to show that they have been hard hit?

Mr. Trivedi.—The evidence is that they are not buying as much as they used to before. Our merchants in Poona and other people report the same thing.

Mr. Kale.—Have you yourself any experience of the organisation of the agricultural industry?

Mr. Trivedi.—No

Mr. Kale.—I want to know how the Indian cultivator will be directly affected by an increase in the import duty on steel? What are the articles that are generally used by the Indian cultivator?

Mr. Trivedi.—They use bars for the purpose of cultivation.

Mr. Kale.—The cultivator uses a plough, for instance. How much quantity of steel enters into this part of the equipment for cultivation?

Mr. Trivedi.—He uses also rice bowls, for instance.

Mr. Kale.—But do you think that the total value of such articles is very large? My impression is that the Indian cultivator being very backward and poor does not use very much steel. Even now the Government have not succeeded in inducing the cultivator to use iron ploughs. Tyres for cart wheels and a few implements are the only articles where steel enters into the consumption of the cultivator. And that must be a very small quantity surely?

Mr. Trivedi.—I agree, but they use these bowls in handling their produce from one place to another.

Mr. Kale.—Do you think that they use these things in very large quantities? I cannot speak of Gujerat, but in the Deccan I do not think a large quantity is used.

Mr. Trivedi.—Poona consumes much of steel sheets.

Mr. Kale.—Is that for agriculture?

Mr. Trivedi.—I have no direct knowledge.

Mr. Kale.—So that, does it not follow that if the consumption of steel has fallen to some extent in the bazaar it must be due to the general depression that prevails in the country but not to the increase of duty?

Mr. Trivedi.—The buying power has gone down.

Mr. Kale.—And naturally it has its effect on the consumption of steel?

Mr. Trivedi.—Yes.

Mr. Kale.—I quite understand that an increase of 23 per cent. will have some effect but there is no reason to believe that it will have a prohibitive effect so far as the ordinary cultivator is concerned.

Mr. Trivedi.—I cannot say about the cultivator but I take the consumer as a whole. I do not say particularly of the agriculturist, but he is one of the consumers.

Mr. Kale.—You speak of the consumer in general?

Mr. Trivedi.—Yes.

Mr. Kale.—You represent what is called the middleman class, do you not?

Mr. Trivedi.—Yes.

Mr. Kale.—So that if you are able to sell steel in quantities as at present, and if there were an increase in duty, you won't mind?

Mr. Trivedi.—We do not mind.

Mr. Kale.—So long as you are able to secure your middlemen's profit you do not mind what the loss to the consumer is or what the profit to the manufacturer is. Don't you think that if you support protection it is necessary that some sort of adjustment should take place in the business of the middlemen?

Mr. Trivedi.—Our position will not be affected so much.

Mr. Kale.—As a trader you will not be affected so much because, on the whole, consumption of steel is not likely to go down materially? You will have to deal in that case with other species of steel. You don't mind whether it is Tatas', British or German?

Mr. Trivedi.—I do not give this evidence from that point of view—that my pocket will be affected.

Mr. Kale.—You represent your Association?

Mr. Trivedi.—I give the trade view.

Mr. Kale.—Are not the interests of middlemen, traders and consumers conflicting?

Mr. Trivedi.—If Tatas will be able to supply our market we will be glad. In fact we made efforts but they could not supply on account of this competition.

Mr. Kale.—But should not traders also be prepared to make same sacrifice as they expect the consumers and taxpayers to make?

Mr. Trivedi.—If it benefits Tatas. My point is there is no prospect of benefiting the industry as against Continental steel.

Mr. Kale.—Of course that is problematical; we are not sure. Suppose the steel industry in India is able to reduce the cost of production, suppose railway freights are reduced, then the price of Indian steel will be reduced to that extent and the difficulty you are referring to will be overcome to a certain extent if these improvements take place?

Mr. Trivedi.—We have no particular love for Continental steel. We will be the first persons to handle Tatas' steel if it is cheap.

Mr. Kale.—That is what I was putting to you.

You said something about the management at Jamshedpur. Is it your view that it was the duty of the Directors to depute some among themselves to be on the spot at Jamshedpur to watch the working of the industry there?

Mr. Trivedi.—My idea is that the whole thing has been managed by the General Manager or the Consulting Engineer and the Directors are only looking to the financial side. They are not able to sift the information that is put before them: they do not get independent evidence and therefore it is practically managed between two men.

Mr. Kale.—Your opinion would be that some of the Directors should acquaint themselves very closely with the condition of the steel industry in America and India so that they may check the working of the industry at Jamshedpur?

Mr. Trivedi.—Yes.

Mr. Kale.—Do you think it is possible for the kind of the Directors that we have in Bombay to do that?

Mr. Trivedi.—Then we will have to revise our idea of the duty of Directors.

Mr. Kale.—That is to say, our ideas about the position of the Directors of the various industries in Bombay will have to be revised?

Mr. Trivedi.—If they think they do their duty by merely attending the meetings, the industry will suffer.

Mr. Kale.—You think that there are Directors in Bombay who have too many irons in the fire and only one of them is the industry at Jamshedpur. You think that some of the Directors should make it a point to go to Jamshedpur and stay there for a considerable time?

Mr. Trivedi.—Not only to Jamshedpur but also to the Continent to study how to meet this competition.

Mr. Kale.—In that case they will be able to introduce a good deal of improvement and bring down the cost?

Mr. Trivedi.—Yes, I think so.

Mr. Kale.—You advance that view as an Indian citizen?

Mr. Trivedi.—Quite so.

Mr. Kale.—You think that this is an improvement which is necessary in almost all industries at the present moment in India?

Mr. Trivedi.—Yes.

Mr. Kale.—So your observation also applies to the organisation of other industries in the country?

Mr. Trivedi.—Yes.

Mr. Kale.—You say that Americans have been put in charge of the works and you think that if experts from the Continent had been brought out instead they would have run the industry more cheaply?

Mr. Trivedi.—That is my view.

Mr. Kale.—What I put to you is this: supposing these Continental experts had been as costly as Americans are proving to-day, then is it not possible that some one would have turned round and said "They have brought in Continental men. The Americans are the best experts known and they ought to have brought out people from America. They committed this initial blunder in going to the Continent instead of to the U. S. A."

Mr. Trivedi.—My point is this: The Continent is producing cheap iron. Therefore those experts from the Continent who are able to show how cheap steel can be manufactured should have been imported as against Americans who only have big schemes, schemes involving great financial outturn. Therefore looking to the condition of the country which cannot afford to put in so much capital, I say, we come to grief. Perhaps we are wise after the event but this is the case.

Mr. Kale.—It is very easy to be wise after the event, but do you not think it is just possible that things might have turned out quite the other way?

Mr. Trivedi.—My idea from the beginning was that Americans having their trust ideas and big factories and all that would lead us to that sort of organisation which will not do for India.

Mr. Kale.—Have you ever considered that unless the steel industry is carried on on a very large scale, it does not become economic? Have you ever considered that? Do you know that this is the smallest economic unit for a steel works?

Mr. Trivedi.—Even Mr. Perterson admitted that the Greater Extensions was a mistake.

President.—Where is that admission made? I have not seen it.

Mr. Trivedi.—I remember to have seen it somewhere in his evidence but I cannot at the moment find it.

Mr. Kale.—When you find it, will you please draw our attention to it?

Mr. Trivedi.—I have drawn it from this Table. My own experience is 50 per cent.

Mr. Mather.—Can you tell us whether much wrought iron is imported into Bombay?

Mr. Trivedi.—No.

Mr. Mather.—Such wrought iron as is imported usually go into the bazar trade?

Mr. Trivedi.—I think it is mainly the engineering firms who take them.

Mr. Ginwala.—Have you got figures for the Bombay Presidency?

Mr. Trivedi.—Yes.

Mr. Mather.—Up to what year have you got them?

Mr. Trivedi.—Up to 1913 14.

Mr. Mather.—Have you got more recent figures?

Mr. Trivedi.—No

Mr. Ginwala.—You state that nearly 70 per cent. of the total steel was from the Continent. Where did you get that information from?

Mr Trivedi.—I have taken it from Table II on page 63 of the Tata Co.'s representation, but Mr. Mather has corrected me.

Mr. Ginwala.—You have got no figures up to date for the Bombay Presidency?

Mr Trivedi.—No. Really speaking the last two years are not the correct *data* to judge. I think the pre-war figures give you the correct *data*.

Mr. Mather.—Do you import any wire nails?

Mr. Trivedi.—No. That goes under hardware.

No. 90.

Calcutta Import Trade Association.

WRITTEN.

Statement I.—Original Representation of the Calcutta Import Trade Association to the Tariff Board, dated September 11th, 1923.

I am directed by the Committee of the Calcutta Import Trade Association to address you regarding the claim to protection for the steel industry in India put forward by the Tata Iron and Steel Company, Limited.

2. The enhancement of the import duty on steel to 33⅓ per cent. as asked for by the Tata Company would necessarily react on all industries using steel as a raw material and the consequent rise in prices generally would have a far-reaching and, the Committee consider, disastrous effect. They are, therefore, strongly opposed to a protective duty and they consider that with a 10 per cent. import duty as at present, with cheap coal and iron ore and heavy concessions in railway freights (as compared with importers) the Tata Company should be able to maintain themselves if their overhead charges are kept within reasonable limits. The Committee would point out that if the steel manufacturing industry cannot hold its own in this country with the present duty it is not likely to do so with a duty of 33⅓ per cent. In any case it is reported that the bulk of the Tata Company's output is at present taken by the State and Company-managed Railways in the shape of rails and that the current contracts in this connection continue for four years. If this be so, it is clear that no new duties can assist the Company materially until the expiry of that time and the Committee are of opinion that no change should be made at all events until then.

3. The price paid by the Government for the rails supplied to it by the Tata Company is understood to be from Rs. 110 to Rs. 123 per ton only and as this price is far below the cost of importation—about £10-0-0 c.i.f.—the Committee consider that any assistance which the Tata Company requires should take the form of some enhancement in the Government rate. This would really be equivalent to a bounty, and the Fiscal Commission indicated that, in the case of a basic industry such as the steel manufacturing industry, the best method of providing assistance would probably be to give a bounty rather than a high protective duty.

4. There is also the question of foreign competition to be considered. At present continental prices for steel are much lower than British prices, for the foreign manufacturer is assisted both in the matter of exchange and by cheaper freights. If the import duty be increased to 33⅓ per cent. it is generally anticipated that Belgian and German exporters will immediately respond by reducing their prices to the extent of the additional duty: that is to say, they will make any sacrifice necessary in the matter of price in order to retain their footing in this market. Should they do so, it is clear that the Tata Company will not be materially assisted. But what will happen will be that British steel will be quite unable to compete with continental imports, for the British manufacturer cannot make the same reductions in his prices as, by reason of the advantages he enjoys in exchange and freight, the continental manufacturer can afford to do. Unless, therefore, British steel is to be excluded altogether any increase in the Tariff should be on the basis of preference within the Empire as this would tend to restrict the dumping of foreign manufactured steel, the encouragement of which is detrimental to both Indian and British manufacturers.

Statement II.—Letter from the Secretary, Calcutta Import Trade Association, Calcutta, No. 90-M., dated 6th November 1923, to the Secretary, Tariff Board, Calcutta.

Regarding the information promised by Mr. Bishop I attach a list showing the comparative prices of certain British and Continental articles together with list of present day freight rates from British and Continental ports to Calcutta or Bombay. The prices for March 1923 have not been given as the Continental market, owing to the Ruhr position which developed in March, was not normal and the rates might give a wrong impression.

The Committee regret they are unable to give the figures in greater detail but they trust the information supplied will be sufficient for your requirements.

(*a*)

	British.				Continental.			
	Bars.	Angles.	Sheets.	Joists.	Bars.	Angles.	Sheets.	Joists.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1st week March 1920.	1 11 7½	1 15 0	1 16 1½	1 13 6	...		...	...
1st week March 1921.	0 17 11	0 17 0	1 3 6	0 18 ½	0 11 6	0 11 6	0 17 0	0 14 6
1st week March 1922.	0 10 9	0 9 3	0 14 3	0 9 5	0 8 7½	0 8 7½	0 14 0	...
2nd January 1923	0 10 1½	0 9 3	0 12 4½	0 9 3	0 7 6	0 7 4	0 13 6	0 7 4
3rd July 1923	0 12 1½	0 10 4½	0 14 1½	0 10 1½	0 8 6	0 8 6	0 14 0	0 8 6
2nd October 1923.	0 11 1½	0 9 7½	0 14 10½	0 9 6½	0 9 1½	0 9 1½	0 14 10½	0 9 1½

The above rates are per cwt. c.i.f. Calcutta.

Approximate Pre-war Local Selling Rates

	British,	Continental.
	Rs. a.	*Rs. a.*
	per cwt.	per cwt.
Bars	......	4 4
Angles	5 8	5 0
Sheets	6 0	5 8
Joists	5 8	5 0

The c.i.f. Calcutta costs would be about As. 8 per cwt. less than above rates.

(*b*)

Present day freight rates per ton to Bombay or Calcutta

From British Ports . . . . 23*s.* 6*d.*

From Continental Ports . . . . . . 14*s.* 3*d.*

Oral evidence of Mr. H. C. W. BISHOP, representing the Calcutta Import Trade Association, recorded at Calcutta on the 1st October 1923.

President.—Will you tell me about the Calcutta Import Trade Association? How many firms are members of it?

Mr. Bishop.—It covers all the largest firms—about 60.

President.—Do you print a list of these firms?

Mr. Bishop.—If you could give us a copy of that for reference it will be useful to have it. (Mr. Bishop hands in a copy of the last yearly report of the Association with the names of members printed at the end.)*

President.—Are the firms who are members of your Association chiefly interested in trade with the United Kingdom or in trade with all countries?

Mr. Bishop.—With all countries of which the United Kingdom is the chief.

President.—The United Kingdom is the most important but you are also interested in the import trade with other countries?

Mr. Bishop.—Yes.

President.—I asked that question having regard to what you say in the last paragraph of your letter about the possibility of dumping on a large scale from Belgium and Germany and the effect that it might have on the trade of the United Kingdom.

Mr. Bishop.—Yes.

President.—Are the members of the Association Indian firms or European firms?

Mr. Bishop.—The majority are European.

President.—Before the war were many firms who were more interested in trade with other countries members of your Association?

Mr. Bishop.—There were some German firms.

President.—Of course one knows the great change in the minds of the people after the war began about trading with enemy countries. I wondered whether it had anything to do with the constitution of your Association?

Mr. Bishop.—I do not think it made any difference. The Germans and others who were members of our Association had to leave the country after the war.

President.—Naturally, of course, the point of view of your Association must be to promote as far as possible the exchange of commodities between India and other countries of the world and any restriction in that exchange must be opposed to your interests?

Mr. Bishop.—As this country is essentially a poor country reckoned per head of the population the question of price is all important. On the other hand, we do not wish to be considered inimical to Tata's on account of our objections to their proposals. There are very many firms, who are members of the Association, who are constant customers of Tata's, and we do not wish anything we say to be taken in a different light.

President.—In the first paragraph of your letter you have said that you are strongly opposed to protective duty. "The enhancement of the import duty on steel to 33⅓ per cent. as asked for by the Tata Company would necessarily re-act on all industries using steel as a raw material and the consequent rise in price generally would have a far-reaching, and, the Committee consider, disastrous effect."

In what direction do you think the rise will be most marked? What would most affect the people generally?

* Not printed.

Mr. Bishop.—One of the most marked effects will be on public schemes generally which will need a great deal more financing and which under the present circumstances will not go through.

President.—That is to say, a much smaller amount of steel would be used. You anticipate that would be the result?

Mr. Bishop.—Yes.

President.—And the result will be, of course, in that case, smaller importations and consequently less business. You are thinking of big schemes like irrigation schemes or railways?

Mr. Bishop.—Everything under the heading of steel and bridgework

President.—The most important bridges are the railway bridges. Is there any other direction where you think there will be a smaller consumption of steel in India as a result of an increase in the price?

Mr. Bishop.—I think it will be restricted to some extent generally. A great deal of steel enters into the making of agricultural implements, but how much any rise in price would affect that I cannot say.

President.—Are you thinking of spades, hoes and ploughshares or of something more modern?

Mr. Bishop.—He needs ploughshares, kodalies, corrugated iron for his house, and, where a man has got enough money, joists, beams, etc., to build a larger house.

President.—In the parts of the country with which I am acquainted, people who use these materials for their houses are not numerous. It may be different in other parts of the country but, so far as I know, this is an unusual thing.

Mr. Bishop.—Cawnpore is a very big centre for distributing steel in Upper India and a considerable amount of steel such as is used in the bazar trade, goes through there. In a very large number of houses in these parts of India corrugated iron sheets are extensively used.

President.—I quite understand that as regards roofing a substantial increase in the price would mean a reduction in the demand, but as regards kodalies, ploughshares and things of that kind it seems to me doubtful, because I do not think anyone would say that the Indian cultivator is extravagant in the use of steel implements and it might not be possible to reduce his demand for them. If there is an increase in the price he will just have to pay more and there is an end of it. Take another example. Do you think that 33⅓ per cent. duty would lead to a reduction in the number of steel frame buildings erected?

Mr. Bishop.—I think it would.

President.—You consider that other materials would be substituted for steel?

Mr. Bishop.—Yes.

President.—Of course in a town like Calcutta there is this to be remembered, that steel frame buildings can be built higher and therefore your land cost is less, and that is always an important factor. What materials do you think would be used in substitution for steel?

Mr. Bishop.—In the up-country, timber and bamboo. Of course important buildings must have a certain amount of steel.

President.—I am not imagining that steel will go out altogether. But less steel will be used, that is your contention. What do you think would be the extent as regards the total contraction in the import of steel? The present total works up to something in the neighbourhood of one million tons.

Mr. Bishop.—The total import of all kinds of steel?

President.—In the case of some articles, the trade returns give the value only and not the quantity, but making allowances for that the total comes to about a million tons.

Mr. Bishop.—I think the imports were 880,000 tons for last year, both iron and steel. This covers materials for which tonnage is given, of course wagons, etc., excluded.

President.—To what figure would it be likely to fall as a result of putting on 33⅓ per cent. duty?

Mr. Bishop.—I can hardly give any figure.

President.—I fully recognize that you cannot give a correct figure, but I put the question in case you were prepared to attempt an estimate.

Mr. Bishop.—We think a great deal of the present imports from Great Britain will be diverted to the Continent.

President.—I am coming to that later. I am thinking now of the reduction in the total quantity. I think there are one or two things to be remembered. I think the increase in price, as shown by the wholesale index numbers in the United Kingdom, is at present between 160 and 170 if 100 is taken as the pre-war level of prices.

Mr. Bishop.—In the case of steel it is about 70 to 80 per cent., judging by the selling price here in Calcutta.

President.—The selling price in India, however, as compared with the pre-war price, is affected by the increase in the Customs duty from 2½ to 10 per cent.

Mr. Bishop.—The c.i.f. price would be about 150 to 160, I should think, as against 100 pre-war.

President.—The effect of that is that if steel is selling cheaper on the average than other commodities in relation to pre-war prices, there is a greater margin within which the price can rise without affecting its consumption. That is to say, as compared with other commodities, steel is cheaper than it was before the war?

Mr. Bishop.—I should say we are not likely to get heeaper steel.

President.—You are thinking of British steel?

Mr. Bishop.—Yes.

President.—Is that on the basis that the manufacturers have already reduced their cost as low as they can go?

Mr. Bishop.—I think they have been working at purely cost price for some time.

President.—Can you give us any information as to the price of imported steel in India to-day—both British and Continental steel?

Mr. Bishop.—Roughly speaking Rs. 9 a cwt.

President.—What sort of articles does that rate cover?

Mr. Bishop.—Angles, channels, beams, etc., Rs. 9 a cwt.—that is, Rs. 180 a ton.

President.—Is Continental steel selling at a lower price than that?

Mr. Bishop.—It is selling at Rs. 8-4 to Rs. 8-8 a cwt., *i.e.*, Rs. 165 and Rs. 170 a ton.

President.—It is rather important from our point of view to get as much information as we can about the importation of Continental steel, and the more information you can give us the better it will be. Has there been any change during the last three months as regards the price of imported Continental steel?

Mr. Bishop.—I don't think there has been any considerable change.

President.—How does the price to-day compare with the price in 1922?

Mr. Bishop.—The price is about the same as last year.

President.—At the beginning of 1923 the price of Belgian steel rose substantially in Belgium, that was during the first three months of the occupation of the Ruhr.

Mr. Bishop.—Practically nothing was shipped from the Continent at that time.

President.—The figure quoted for home price at works in Belgium for beams is 420 francs in January; it was 500 to 550 francs in February; in March it was about 775, whereas up to January export price was quoted which was lower than the home price. During February and March there was no quotation for export at all.

Mr. Bishop.—We shall be ready to give you any figures you want.

President.—It would be useful to us if you could give us any figures about the importations of Continental steel, especially of cases which came to the notice of the Association of importations at an unusually low rate.* You mention amongst other things the advantage enjoyed by Tatas—10 per cent. import duty at present, cheap coal and iron ore and heavy concessions in railway freights. The view put forward by the Tata Iron and Steel Company was that coal was no longer cheap and that they were at a great disadvantage because the rise in the price of coal in India for the most part took place at a period when in every other part of the world it was falling.

Mr. Bishop.—Up to the Armistice the price of Indian coal was very low but rose in the following years. For the last 12 months, as far as I can tell you, the price of coal has been falling. So far as I know, coal here is very much cheaper than the price which works at Home have to pay for it.

President.—The question of quality comes in there. You consider that India still enjoys an advantage in the price of coal?

Mr. Bishop.—Yes, it does.

President.—Great complaints have also been made about the freight difficulty—the difficulty of getting coal transported to the works.

Mr. Bishop.—That is common to every industry in the country.

President.—I do not say that Tata's are worse off than the others. But the steel industry amongst other things has not been getting the advantage of cheap coal and that affects the price of steel enormously in every stage of manufacture?

Mr. Bishop.—Yes.

President.—You also mention special concession in railway freights. So far as I know, that applies to the Bengal Nagpur Railway and, I think, it is the same contract that was made at the time the works were established. So far as either their raw materials come over the Bengal Nagpur Railway or their finished products go out by that Railway they have an advantage, but on the general question of transport Tatas take exactly the opposite view that they are at a disadvantage as compared with the importer. For instance, it costs three times as much to send steel to Karachi from Jamshedpur as it does from London.

Mr. Bishop.—Yes, it does.

President.—I do not think in the matter of freight the manufacturer in this country has such a great advantage.

Mr. Bishop.—But the great markets in this country are Bengal and the United Provinces.

President.—Let us take another case, Bombay.

Mr. Bishop.—The concession enjoyed by Tatas as compared with Calcutta Importing Firms in freight is understood to be equivalent to Rs. 24-11 a ton, for despatches *viâ* Nagpur, *i.e.*, £1-13, which is equivalent to an additional duty of 18 per cent.

President.—I think the figures given by Tatas were: English ports to Bombay Rs. 16-14 to which clearing charges of Rs. 2-8 per ton have to be added making Rs. 19-6 as against Rs. 15-14 for Tatas, and in the case of imported material there is generally a further extra for cartage or railway freight, whereas material from Tatas goes direct to the nearest Railway

* *Vide* Statement II (*a*).

siding. This may be taken as a further Rs. 2-8 per ton in the case of deliveries in Bombay and suburbs, *i.e.*, Rs. 21-14 against Tatas Rs. 15-14. Tatanagar to Bombay Rs. 15-14—only one rupee less; to Madras Rs. 15-14, to Karachi Rs. 48, and to Rangoon Rs. 23 to 28. I quite admit that, for Calcutta, Tatas have a distinct advantage in the matter of freight, but the further you go up-country that advantage tends to diminish. Of course the imported stuff in that case also has got to pay railway freight and that makes their price dearer.

Mr. Bishop.—They have got a distinct advantage now in this, that in sending steel from Calcutta to Delhi, say, they get the benefit of these old rates.

President.—Only a small part of the distance will be over the Bengal Nagpur Railway.

Mr. Bishop.—Still that is an advantage; it will come to 2½ per cent.

President.—In the last sentence of paragraph 2 you say "it is reported that the bulk of the Tata Company's output is at present taken by the State and Company-managed railways in the shape of rails and that the current contracts in this connection continue for four years. If it be so, it is clear that no new duties can assist the Company materially until the expiry of that time." The actual figures given by Tatas were that during the last three years their rails have been something over half their present outturn—60,000 out of 122,000 in 1920-21, 78,000 out of 166,000 in 1921-22 and 65,000 out of 114,000 in 1922-23.

Mr. Bishop.—The other day I was told by the Bengal Nagpur Railway that they could not get enough rails from Tatas. The Railways imported 80,000 tons last year.

President.—The quantities actually supplied under the contracts do not cover the whole outturn of the railways. In 1921-22 it was 29,000 tons to the Railway Board, 25,000 tons to what they call Palmer Railways, and 14,000 tons to the Bengal Nagpur Railway. That just makes up the 65,000 tons. At present rails are more than half their output, but they have also told us that when the Greater Extensions are completed and when they are in full operation, their total output will be 400,000 tons and the rails will not amount to anything like half of that. They have told us that they interpret the contract as not binding them to supply a larger quantity of rails at these rates than they had been supplying. If so, it would only be for a couple of years time. The rails supplied under the contracts might be only 60,000 out of an output of 400,000: it would not be really so important.

Mr. Bishop.—From last year's figures about 140 to 150 thousand tons annually of rails in all are required by the Railways in India. Will they be able to supply these also when the Greater Extensions are complete?

President.—We cannot tell whether they would supply the whole demand. It depends on various circumstances.

Mr. Bishop.—What we cannot understand is, if Tatas' industry required assistance, why should not Government pay Tatas the market price of the rails they took from them under the contract.

President.—Well as regards that, of course, it does not affect the Company railways. They are independent of Government in that matter.

Mr. Bishop.—Well, they will soon be Government railways.

President.—The two important Railway Companies now under Company management which might come under the control of Government are the Great Indian Peninsula and the East Indian, and neither of these are included in Tatas' contracts. They have no contracts with the Great Indian Peninsula just now and I do not think they ever supplied the East Indian.

Mr. Bishop.—But still it is on the quantity of rails that they do supply under these contracts that they are losing so much.

President.—What you were suggesting was that Government should pay a reasonable market price for the rails they get from Tatas under the contract, but what I would point out is that at least half or more than half the rails supplied under the contracts go to the Company railways and not to the Government railways, so that if Government pay a higher price it would not cover the whole ground.

Mr. Bishop.—It would cover a good deal of it, I think.

President.—It would cover something like 30,000 tons and that is the extent of it. As a matter of fact what Tatas told us was that in the last two years Government had made concessions as regards price and had paid more than what they were bound to pay under the contract. That was what we were told at Jamshedpur. I do not remember the exact figure but it was something like this. The price under the contract was Rs. 130 and they actually received Rs. 156 or some figure like that. It was given in the evidence at Jamshedpur.

Mr. Ginwala.—That was for the last two years. The contract price was revised and brought up to the c.i.f. price.

Mr. Bishop.—Then we understand Government have bought building materials on the basis of 10 per cent. below the cost of importation.

President.—From Tatas?

Mr. Bishop.—Yes.

President.—That is not done under any contract, I think.

Mr. Bishop.—I do not know. I think it must have been.

President.—Where did you get your information from?

Mr. Bishop.—A member of our committee knew that there was a case in the United Provinces.

President.—If there is any contract it has not been brought to the notice of the Board yet, but I think we were told that there were arrangements not only with Government but as a sort of a general practice materials were sold below the price of the imported stuff.

Mr. Bishop.—Latterly they have been selling exactly, or what they say is exactly the equivalent of the imported price. During this year my firm has been able to buy a considerable quantity of British material at lower rates and it looked as if Tatas were not hard pushed for orders.

President.—This paper contains the information that was given to us at Jamshedpur about the contracts. The contracts with the Railway Board go on up to the end of March 1927, but the one with the Bengal Nagpur Railway which is at the lowest rate under the contracts—Rs. 110 a ton—expires at the end of March 1925 and the others at the end of March 1926, so that they do not last quite so long as you suggest.

Mr. Bishop.—Yes.

President.—In paragraph 3 of your representation you say that the price of Rs. 123 a ton is far below the cost of importation, which is about £10 c.i.f. Is this duty paid or duty free?

Mr. Bishop.—That is duty paid. It should be f.o.r.

President.—If that is c.i.f. *plus* duty, what is the f.o.b. price in England?

Mr. Bishop.—It should be £7-17-6, after deducting freight which would be £1-2-6 and duty about £1.

President.—It was this sort of price that you had in mind when you said that you did not think that the price of British steel would fall much lower.

Mr. Bishop.—Yes.

President.—In the last paragraph of your letter you suggest that the imposition of 33⅓ per cent. duty would not be of any benefit to Tatas because Continental manufacturers would at once drop their prices. Do you think that they could drop the price to the full extent?

Mr. Bishop.—They would not have to drop very much. Even with 33⅓ per cent. it would still be low.

President.—But is that quality of material comparable with the quality of Tatas?

Mr. Bishop.—Generally speaking it is not so good.

President.—The policy of Tatas is to manufacture as far as they can possibly go up to the British standard, and naturally the price of the inferior quality would be lower, but it does not follow that it would be able to compete with Tatas for the same purpose.

Mr. Bishop.—No. Concerns like railways, public bodies, etc., would still insist on having British standard quality but in the case of Indian buyers—*i.e.*, bazaar trade, where they will have to pay more for the British steel on account of the extra duty—probably their choice would be for the cheapest stuff.

President.—So far as that is concerned the position is not very different at present. Those who are content with the cheaper qualities buy Continental steel now. The increase in the duty might accentuate that competition to some extent, but still it does not seem to me to count for very much. What you have said is "if the import duty be increased to 33⅓ per cent. it is generally anticipated that Belgian and German exporters will immediately respond by reducing their prices to the extent of the additional duty." Is that possible?

Mr. Bishop.—I think it will be possible for them to reduce their rates and to bring them below the new level.

President.—There is one more point. There is the question of freight from Continental ports. Can you give us any information as to the difference in the freight rates at present between Antwerp and India and London and India?

Mr. Bishop.—I think the difference will be some 10*s.* (actually 8*s.* 3*d.*) a ton. The London rate is 27*s.* 6*d.* (actually 22*s.* 6*d.*) and the Continental rate would be 17*s.* 6*d.* (actually 14*s.* 3*d.*). I am not however certain.

President.—You gave us the price of Rs. 165 as the price of certain sections of Continental steel at present.

Mr. Bishop.—Yes.

President.—You have got to take off Rs. 15 for freight and landing charges and the duty would be somewhere about Rs. 15 also.

Mr. Bishop.—Yes.

President.—So that the price that actually reaches the manufacturer would be about Rs. 135 or Rs. 140.

Mr. Bishop.—Yes.

President.—When 33⅓ duty is put on, in order to sell at the same price in India he would have to cut what he actually received before by more than Rs. 20

Mr. Bishop.—But he pays duty on the freight too.

President.—That is what he is supposed to do. He pays it on the c.i.f. price.

Mr. Bishop.—In the case of some section a fixed sum per ton is paid.

President.—As regards structural sections, things like angles, etc., the duty is always *ad valorem.*

Mr. Bishop.—In the case of angles and tees it is on a tariff valuation. Joists are on an *ad valorem* basis; and bars, the import of which is largest from the Continent, bear Rs. 18 a ton duty. They are on a tariff valuation

President.—Would it be possible for the Continental manufacturer to cut the price he actually receives by Rs. 20 or Rs. 30 a ton?

Mr. Bishop.—I think they have a certain amount of bounties on the Continent; I do not know exactly how much

President.—Can you give us any definite information?

Mr. Bishop.—No.

President.—So far the only absolute definite information received was as regards freight reduction on iron ore coming from Luxemburg and France into Belgium. It is said that there is very low freight on raw materials. That is what Tata's told us. Are you in a position to give us any definite information about that?

Mr. Bishop.—No.

President.—Assuming that there are such bounties, they must be operating already?

Mr. Bishop.—Yes.

President.—Unless the Foreign Government responds by increasing the bounties as we increase the duty, they won't be able to cut further. I looked up some of the British Government's Overseas trade reports about the conditions in Belgium. This is up to March 1922. This is what is said as regards wages in the engineering trade. "Metal workers' and engineers' wages vary from Frs. 1·75 to Frs. 3·00 per hour compared with Frs. 0·25 to Frs. 0·50 in 1913: in the brick making and constructional industries wages which in 1913 were about Frs. 0·25 per hour are now Frs. 1·30 to Frs. 3·50" That is to say, the level of wages has gone up by 600 per cent. in Belgium.

If the Belgian franc is taken at 80 to the pound it is worth in sterling less than ⅓ of what it was worth before the war, and the purchasing power of sterling as expressed in commodities is only ⅔ of what it was before. On that basis the purchasing power of the franc in commodity ought to be 5 to 6 times less than it was before the war. The increase in wages apparently balances the reduction in the value of the franc, and it is not clear that in that matter the Belgian manufacturer has an advantage.

Mr. Bishop.—They manage to send us steel at 10 to 25 per cent. below British prices.

President.—Is that quality for quality?

Mr. Bishop.—No.

Mr. Mather.—That is not a new thing that has happened. It was the same before the war when there was no exchange difficulty. It seems to me that it is a thing quite independent of the exchange.

Mr. Bishop.—Yes.

President.—The figures I gave you about the increase in wages, relate to some period before March 1922. I do not know whether there has been any further increase in wages since the occupation of the Ruhr and the fall in the value of the franc. If there has been a further rise in wages it would begin to hit the Belgian exporter. What I would like to have your opinion about is this: where the value of a foreign currency has depreciated and has remained at the same depreciated figure for two or three years, do you think that that country still retains an advantage for the purpose of exporting goods?

Mr. Bishop.—Do you mean that in a year or two they are likely to be in a worse position to export than now?

President.—You said that the Continental manufacturer enjoys advantages in exchange and in freight.

Mr. Bishop.—Yes.

President.—As regards exchange I want to get your opinion on the question whether when the exchange falls to a certain extent and then remains steady at that for two or three years, does the manufacturer in that country still retain any advantage?

Mr. Bishop.—I am unable to answer that.

President.—It is rather an important question—to what extent depreciation of the exchange does give the manufacturer in that country an advantage.

Mr. Bishop.—I do not think that anybody has got a correct estimate of the exchange at all.

President.—It is a matter about which the Board will have to form an opinion and I was hoping that you would be able to help us.

Mr. Bishop.—Nobody will be able to say whether it will steady down permanently.

President.—I think what has happened in foreign countries since the war has tended to show that once the exchange steadies down at a figure, then the rise in wages which always follows tends to remove the advantages which the country undoubtedly possessed at the time of the fall in the exchange

Mr. Bishop.—Even if it is less than four years before Tata's contracts fall in, we think it is rather dangerous to push the duties up now. They have only just gone up from 2½ to 10. During the period there has been very bad trade and we do not see why the Tata Co. should not be able to fully maintain their position. I may tell you that my Association had a certain amount of correspondence with the Government over the manufactures of steel material at the Ishapur Factory, as competing with private importers, and what the Government stated in connection with that was that a nucleus staff was necessary and they were turning out steel which could not be sold under market prices, and that the costs of the factory would be certified by one of the leading firms of chartered accountants so as to ensure manufacture being carried on on a paying basis. From what we have seen of Ishapur prices we think that the material turned out there appear in price to be much on a par with Tatas' rates and costs of imported material, so that, if a small concern like that can profitably manufacture material at these rates, then it would be very much easier for large works like Tatas.

President.—I quite understand your position on this point. It is a perfectly fair contention that you have been able to put before the Board, because those are precisely the matters which the Board will have to investigate very carefully.

Mr. Bishop.—We feel that if Tatas had got the market price for what they produce they would not have any complaint. Nobody at the moment wants to see them fall through and I do not think there should be any necessity for it. There is a great deal of material which they will not be able to manufacture even if they do get 33⅓ per cent. protection. This will mean that the importers of these other materials will all have to pay their share towards a large amount of duty to support the Tata Co. We think that if they are given a bounty or paid at the market price it would be very much better for everybody.

President.—Under the bounty system a smaller amount of money is taken from the tax-payers, but in point of principle, there is not much distinction.

Mr. Bishop.—Another point is that when the Greater Extensions were planned, Tatas must have thought about the level at which prices would settle down and that they could not have counted then on high protection.

President.—As regards that, I don't think that Tatas were the only people who started new works at the time, when prices were high. The plan for these Extensions was made, I believe, as far back as 1916.

Mr. Bishop.—May be.

President.—At that time they were being urged by Government to manufacture the largest possible quantity of steel, and it was not easy for them to foresee at that time the effects of the war. Even after the war very few business men were able to forecast accurately the course of events.

Mr. Bishop.—That is true.

President.—So that if the Tata Iron and Steel Co. were short-sighted, they were not the only people who were so. You say in paragraph 2 of your letter of 11th September that the Tata Co. should be able to maintain themselves if their overhead charges are kept within reasonable limits.

Mr. Bishop.—We have got no figures to go on, but we know only generally that the Tata Co. made huge profits during the boom period and that their expenditure during that period seemed to have no limits. That is also the general idea of a great many people.

President.—Can you make it a little more precise?

Mr. Bishop.—We think that if they had been more careful, the Tata Co. would have been very much better off now.

President.—The main thing you suggest is that the Company is over capitalised in the matter of these extensions, the materials being purchased when prices were very high?

Mr. Bishop.—Yes.

President.—It is an undoubted fact. Is that the kind of thing which is in your mind?

Mr. Bishop.—Yes.

President.—That is to say, when a business is started during a boom period when prices are very high, it may be unable to earn profits on that scale and it is not reasonable for the State to come to the assistance of the company in order to enable it to pay profits to that extent.

Mr. Bishop.—That is so. No concern can expect to pay profits on the boom capital value.

President.—Supposing it were proved that for the next two or three years, or say four or five years, the Company were unable to produce steel at the prices of the foreign manufacturers and make profits at all, what would your views be about Government assistance?

Mr. Bishop.—I think that some assistance would undoubtedly be necessary

President.—It is also desirable in the interests of the country, is it not?

Mr. Bishop.—Yes.

President.—You regard it as important in the interests of India that the steel industry should be carried on in this country?

Mr. Bishop.—Yes.

President.—Then what you suggest is that the increase in the tariff should be on the basis of Imperial preference. But that question is not one which has been specifically referred to the Board. Have your Association considered at all the question of what would be the best way to deal with dumping?

Mr. Bishop.—No, they have not.

President.—So your proposal simply is that there should be a higher rate of duty on the Continental steel and also a lower rate of duty on British steel?

Mr. Bishop.—Yes.

President.—That would mean, would it not, a lower duty on British steel which competes with Tatas' and a higher duty on the Continental steel which does not? I am not quite sure whether that would be a sound scheme. Of course the dumping question is important. When things will settle down in Germany, none of us know. I don't see how anybody can forecast what is going to happen, but the possibility is undoubtedly there of a tremendous increase in competition

Mr. Bishop.—Yes.

President.—Well, if that were to happen, would your Association favour taking special measures by Government to check them?

Mr. Bishop.—I could not say definitely what should be the nature of those special measures. Our activities are mainly concerned with imports.

President.—After all, you are not the people to protest to Government primarily. If dumping means more trade, whatever your individual view is, as an Association, it may be of advantage to the trade.

Mr. Bishop.—Quite so. We only trust very much that any assistance to Tatas would be in the form of bounty rather than in the shape of increased duty because as far as we can see the latter would increase the prices of everything.

President.—I understand that.

Mr. Ginwala.—Do you object to the protection of steel on theoretical grounds or is it your opinion that Tatas have not made out a case for protection?

Mr. Bishop.—We object on general grounds. Anything which puts up the cost of the raw material is objectionable.

Mr. Ginwala.—You say that with a 10 per cent. duty, with cheap coal and iron ore and heavy concessions in railway freights, etc., Tatas ought to be able to maintain themselves. Supposing after this enquiry we are satisfied that even with these advantages mentioned by you, steel cannot be manufactured in India to compete against foreign steel, would you then object to the imposition of this duty?

Mr. Bishop.—No, I think that the members of our Association would be willing that Tatas should be given assistance.

Mr. Ginwala.—In that case, you will not object?

Mr. Bishop.—No. We are only anxious that any help should not be in the form of a protective duty.

Mr. Ginwala.—That is because you believe that they ought to be able to maintain themselves. If we are satisfied as a Board, you will have no objection to our giving protection?

Mr. Bishop.—We will have no objection to their getting assistance from Government.

Mr. Ginwala.—You say 'The Committee would point out that if the steel manufacturing industry cannot hold its own in this country with the present duty, it is not likely to do so with a duty of 33⅓ per cent.' What is the basis for your statement?

Mr. Bishop.—Because we regard the steel industry as having been established for some time and having had the benefit of the boom period.

Mr. Ginwala.—What boom period are you referring to? Do you know that the Tata Co. started manufacturing steel about the end of 1912? There was no particular boom then, was there?

Mr. Bishop.—No.

Mr. Ginwala.—Then 1913 and 1914—were they boom years?

Mr. Bishop.—For two or three years, they made a profit of 100 per cent. or so.

Mr. Ginwala.—That was due to other causes. Taking the whole period of ten years, when was the boom period?

Mr. Bishop.—For some time.

Mr. Ginwala.—When was it?

Mr. Bishop.—At the end of the war and up to the end of 1920.

Mr. Ginwala.—1920-21 was the year in which the price of steel was the highest.

Mr. Bishop.—Yes.

Mr. Ginwala.—And then it began to drop.

Mr. Bishop.—Yes.

Mr. Ginwala.—So that, except during those two or three years, you cannot say that there have been any very great opportunities for the industry to consolidate.

Mr. Bishop.—They were working at a profit up to 1914 or up to 1916. We put that in really referring to the experience of some concerns here which had recently failed. Even if a protection of the kind now proposed were given, I don't think that they would have been able to keep going.

Mr. Ginwala.—What concerns were they?

Mr. Bishop.—A good many local concerns which were started during the boom and are now in liquidation.

Mr. Ginwala.—Was there any steel concern?

Mr. Bishop.—No, not actually steel producing concern, but various other manufacturing industries.

Mr. Ginwala.—You contend that their overhead charges should be kept within reasonable limits. Have you tried to study their overhead charges?

Mr. Bishop.—We have no means of studying them.

Mr. Ginwala.—As it is a statement coming from a responsible body, like your Association, I want to know whether there is any actual basis for that.

Mr. Bishop.—We don't think that any manufacturing concern can possibly be successful unless its overhead charges are kept within reasonable limits.

Mr. Ginwala.—It assumes that their overhead charges are not kept within reasonable limits. What makes you assume that?

Mr. Bishop.—It is only a general impression that their charges were on a lavish scale.

Mr. Ginwala.—Can you be more precise as to what you mean? I shall put it to you in this way. When these Extensions are complete, they will be able to produce about 400,000 tons a year. Is it your case that in the matter of these Extensions they have spent too much money?

Mr. Bishop.—That is our impression. We have no figures to prove it.

Mr. Ginwala.—That is the impression that you have gathered from what you have heard?

Mr. Bishop.—We have only heard so.

Mr. Ginwala.—You also suggest that they started their works at a very unfavourable moment? They also bought their machinery when prices were very high and things like that?

Mr. Bishop.—Yes.

Mr. Ginwala.—But in 1919-20, could anybody have foreseen this drop in prices. Supposing they had delayed their Extensions and the position had been reversed, would you not have suggested that they had waited too long?

Mr. Bishop.—Possibly.

Mr. Ginwala.—It is one of those things that does happen. Supposing that things had gone dearer, people might have said that they had waited too long and that they had to pay a good deal more than they would otherwise have had to pay. Is it not a sort of argument after the event?

Mr. Bishop.—It appears so

Mr. Ginwala.—Is not that so in the present case?

Mr. Bishop.—I don't think that anybody could have anticipated that prices would rise and continue at that level for another year or two.

Mr. Ginwala.—Supposing this industry was of sufficient national importance, you still think that the contruction should have been delayed because the prices might come down eventually?

Mr. Bishop.—We are not in a position to say

Mr. Ginwala.—Then you say that they sell at a much cheaper rate than the market rate. That is one of your objections. Well, how do you look upon railways in this country?

Mr. Bishop.—As customers.

Mr. Ginwala.—Don't you look upon them as a sort of Government property more or less, even if they are managed by companies?

Mr. Bishop.—I look upon them as buyers of imports.

Mr. Ginwala.—But if you regard them as the property of the Government and therefore of the people—I mean the tax-payers—is it really an objection that Tatas have sold rails to them cheaper than they would have got in the market?

Mr. Bishop.—I think it is.

Mr. Ginwala.—Why? Is it not taking money from one pocket and putting it into another?

Mr. Bishop.—It seems much more straightforward to pay the market price.

Mr. Ginwala.—That is to say, if the Government had made this payment direct to Tatas and given them assistance in this form you would not object?

Mr. Bishop.—Yes.

Mr. Ginwala.—Can you give us any evidence that the Continental steel manufacturers are favoured by cheaper freights?

Mr. Bishop.—I cannot at the moment.

President.—Could you let us have it?

Mr. Bishop.—I will.*

Mr. Ginwala.—Your Association seems most likely to be able to give us this information. So far as the question of exchange is concerned, it may have to be dealt with on a different basis, but as regards freights any information that you can give us would be useful.

Mr. Bishop.—Yes.

Mr. Ginwala.—Is there any official publication in which you put the prices of various articles that you import?

Mr. Bishop.—We don't issue any.

Mr. Ginwala.—Does your Association collect this information?

Mr. Bishop.—We don't tabulate.

Mr. Ginwala.—How do you ascertain the prices prevalent in the market, say, for a particular article?

Mr. Bishop.—I get my prices by cable from Home.

Mr. Ginwala.—Do you collect these and publish them?

Mr. Bishop.—It is no use. After a few weeks, it will be all out of date.

Mr. Ginwala.—You belong to Messrs. Balmer, Lawrie & Co.?

Mr. Bishop.—Yes.

Mr. Ginwala.—Would it be possible for you to give us the import prices for a number of typical articles, say bars, beams, and the like?

Mr. Bishop.—For both Continental and British?

Mr. Ginwala.—Yes, for a certain number of years.

Mr. Bishop.—Yes.†

Mr. Ginwala.—If you can give from your office records the prices prevalent in 1913 and 1914 and also for the last two or three years, the information would be very valuable to us. That is the kind of information we are trying to get. Your prices would be actual prices on which business was done?

Mr. Bishop.—Yes.

Mr. Ginwala.—That is more important than getting prices from trade journals which may not after all represent the actual prices.

Mr. Bishop.—Yes.

Mr. Ginwala.—There are two aspects of this question. In the first place there is quite a considerable quantity of articles which are imported more from the Continent than from Great Britain.

Mr. Bishop.—Yes.

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* *Vide* Statement II (b)
† *Vide* Statement II (a)

Mr. Ginwala.—Take, for instance, bars, channels, and some other articles. What I would very much like you to do is to select those articles in which the continental imports are bigger than the British, because those are the articles which Tatas are more likely to manufacture than those manufactured in England. If you could give us prices for these, it would be very useful.

Has the import trade been very much affected by the increase of duty from 2½ per cent. to 10 per cent.?

Mr. Bishop.—It seems to us that trade has been getting worse since 1921 and whether the increase has had any effect or not I cannot say exactly.

Mr. Ginwala.—The position is very curious. In 1920-21 when the duty was only 2½ per cent. the imports were bigger?

Mr. Bishop.—Yes.

Mr. Ginwala.—And the prices were bigger too. Now trade has diminished and there is a general depression. But there is nothing to indicate that the increase in the duty has necessarily affected the trade?

Mr. Bishop.—No.

Mr. Ginwala.—Are you at all interested in coal?

Mr. Bishop.—No.

Mr. Ginwala.—Supposing the 33⅓ per cent. duty were imposed on steel, will you be worse off than Bombay importers of similar articles?

Mr. Bishop.—I don't know.

Mr. Ginwala.—There was one Bombay gentleman who suggested that, if a duty was levied, Bombay ought to be excluded.

Mr. Bishop.—I don't see how there would be any difference between Bombay and Calcuta, because freight from a Continental port to Bombay or Calcutta, or from London to Calcutta or Bombay, Madras, or Karachi is the same.

Mr. Ginwala.—Your Association form a sort of distributing agency for this part of India?

Mr. Bishop.—Yes, for this side of India.

Mr. Ginwala.—In the west, up to the United Provinces?

Mr. *Bishop.*—Yes.

Mr. Ginwala.—In the south?

Mr. Bishop.—About half way down to Madras.

Mr. Ginwala.—I take it that quite a number of importers are not members of your Association?

Mr. Bishop.—Yes.

Mr. Ginwala.—With reference to 'Preference' within the Empire, does it mean that if a Continental country gets advantage over India owing to the low rate of exchange, it ought not to have that advantage? Is that what you mean?

Mr. Bishop.—Yes.

Mr. Ginwala.—You mean that countries with low exchange should not be allowed to enjoy that advantage?

Mr. Bishop.—Suppose there is a big duty of 33⅓ per cent. and suppose the English price is £12; the duty will be £4 on anything imported here; the Continental price of that is £9 and they will pay only £3 as duty, that will make a big difference.

Mr. Ginwala.—You can get over that by a specific duty.

Mr. Bishop.—In many cases we can do that.

Mr. Ginwala.—You are under the impression that this demand for 33⅓ per cent. duty applies to the whole of imported steel?

Mr. Bishop.—Yes.

Mr. Ginwala.—That is hardly the case. Tata's do not want a general duty of 33⅓ per cent.

Mr. Bishop.—We do not see how it can be denied to other people if it is granted to Tata's. It will very soon cover an enormously large range of articles.

Mr. Ginwala.—They only ask protection for those articles which they manufacture. Nobody can ask for protection on things which he does not manufacture. In that case the duty will not fall on all consumers of steel as you seem to think. It will only fall on consumers of such steel as is produced by Tata's.

Mr. Bishop.—But you will soon have to extend this protection to everybody who manufactures steel as a raw material. They will require as much, if not more, and you will get on and on.

Mr. Ginwala.—Can you suggest, if this bounty is given to the steel trade, any means by which money can be found to pay this bounty?

Mr. Bishop.—We have not discussed that point.

Mr. Ginwala.—That will be a considerable amount to find. You have not considered that point?

Mr. Bishop.—No.

Mr. Ginwala.—I understood you to say—and it is stated in the report you handed to us also—that you had lately some correspondence with Government about the manufacture of certain articles by Government. Would you object to Government doing that as a matter of principle?

Mr. Bishop.—We think it should be restricted to the lowest possible limit.

Mr. Ginwala.—Would you apply that argument to the building of wagons by Government Railways?

Mr. Bishop.—That is a question outside our consideration.

Mr. Ginwala.—Why should not Government manufacture an article which can be manufactured by private enterprise?

Mr. Bishop.—Because the tendency generally is for Government to underestimate the overhead charges which private companies cannot afford to do.

Mr. Ginwala.—You would consider that objectionable, would you not?

Mr. Bishop.—Yes.

Mr. Kale.—As an Association interested in import trade would you like to keep steel as cheap as possible in India?

Mr. Bishop.—Yes.

Mr. Kale.—But there are individual members of your Association who are interested in manipulating industries connected with steel. How are you able to reconcile the importing aspect and the manufacturing aspect of the members of your Association?

Mr. Bishop.—Manufacturers would prefer to have raw material coming free to manufacture from rather than to pay a duty.

Mr. Kale.—Is it not a fact that some of the manufacturing companies in India want some form of protection from Government?

Mr. Bishop.—Yes.

Mr. Kale.—Take the manufacture of wagons. Some of the engineering firms would like to receive some sort of help from Government, and as mere importers you insist on cheapness. Then the interest of those companies will suffer?

Mr. Bishop.—Yes, I suppose it would.

Mr. Kale.—As importers of goods you would naturally lay stress upon cheapness, but some of these engineering firms would like in fact to increase the price because they want some sort of assistance or encouragement in the manufacture of commodities which are imported cheaper?

Mr. Bishop.—Yes.

Mr. Kale.—May I take it that here is an instance where the Association is in favour of protection even though it increases the prices?

Mr. Bishop.—No.

Mr. Kale.—In the case of some members at least?

Mr. Bishop.—Some members have to manage different manufacturing concerns and, looking at the matter solely from the view of these concerns, protection is the best thing for one, but from the aspect of the other business it is very hard to say that.

Mr. Kale.—So that there is a conflict of interests—interests which are sometimes different in the two branches of the same firm or interests of different firms?

Mr. Bishop.—I am not in a position to say.

Mr. Kale.—If you are really interested in cheapness why should you trouble yourself about dumping at all? Whether there is dumping by Continental countries or by England, you ought really to ignore it if articles are imported cheaply. You should not therefore object to dumping at all. Dumping may be objected to by manufacturers but not by dealers, such as are represented by your Association.

Mr. Bishop.—The Association imports more from European firms at Home and have larger connections with Great Britain than with the Continent.

Mr. Kale.—So it is because the bulk of your imports come from Great Britain that you want to discourage dumping? Is that so?

Mr. Bishop.—Yes.

Mr. Kale.—To that extent you are not promoting the interest of the consumers in India?

Mr. Bishop.—No, I cannot say that.

Mr. Kale.—The consumer would suffer to the extent to which you discourage dumping whether it is from Continental countries or from any other country. May I take it that in the last resort if the steel industry does require protection, you are of opinion that it should be given in the form of a bounty rather than a protective duty? But I may go further and ask whether, if it is found impracticable to give bounties, you would not favour import duties.

Mr. Bishop.—Bounties would be our first choice.

Mr. Kale.—But suppose bounties were found to be absolutely impracticable.

Mr. Bishop.—In that case—yes, but certainly not immediately, not until the result of a few more years had justified such a step. Nobody can form a judgment of what the position would be under normal conditions.

Mr. Kale.—Do you not think that India will continue to import steel in large quantities for many years to come even after Tatas have begun to turn out 400,000 tons a year?

Mr. Bishop.—Yes, certainly.

Mr. Kale.—I suggest to you that the demand for steel is growing in India and when things become normal and this depression disappears, the import of steel will go on steadily so that trade will not suffer on account of the increased demand.

Mr. Bishop.—I think there will be demand eventually.

Mr. Mather.—Can you tell us approximately what is the proportion of the iron and steel that come into Calcutta imported by firms of your Association?

Mr. Bishop.—I think fully half, but it is quite impossible to give an accurate figure.

Mr. Mather.—Mr. Ginwala has been asking you questions about the method by which prices of steel are fixed, say, in Calcutta and the method by which one can ascertain the current local prices. Can you tell me

whether very large stocks of iron and steel in any form are in the hands of merchants in Calcutta?

Mr. Bishop.—Every now and then there are sections of which the stock is small and then prices for these sections automatically increase.

Mr. Mather.—Stocks are comparatively small and it is always possible that at one time or another the stock of one kind of steel may be depleted and then any local price that we ascertain will be more or less artificial due to scarcity in the local market, so that prices in the local market will be affected by temporary causes of this sort?

Mr. Bishop.—Yes.

Mr. Mather.—Can you give us any idea as to how much wrought iron is imported?

Mr. Bishop.—I have got the figures with me. Iron sections rolled—22,000 tons last year up to March.

Mr. Mather.—Does that include bars?

Mr. Bishop.—Generally speaking, wrought iron is negligible in bulk as compared with steel.

Mr. Mather.—Have you obtained these from the trade returns?

Mr. Bishop.—Yes.

Mr. Mather.—That does not necessarily exhaust it and probably some items are entered as "iron or steel."

Mr. Bishop.—The quantity is very small compared to steel. They are imported only for special purposes. Prices are anything up to two and three times the price of steel.

Mr. Mather.—I think the last quotation I saw in the Iron and Coal Trades Review steel was £8 to £10 and wrought iron was £12 to R13.

Mr. Bishop.—That is common bars, but there are more expensive material which will go up higher.

Mr. Mather.—Yes, but probably the greater part of the wrought iron imported is of common quality. However, your general experience as importers of steel is that the import of wrought iron is quite small.

Mr. Bishop.—Yes.

President.—There is just one point I want to put to you with reference to what you said about Tata's overhead charges. What they have said in their representation to the Board is that the amount actually paid in dividends from profits amounted to 8·78 per cent. per annum of the actual money invested over a period of 15 years. Do you regard that as a lavish distribution of dividends? The amount set aside to depreciation from reserves amounts to 7·4 per cent. of the total value of the machinery, so that I do not know whether these figures I have quoted would modify in any way the opinion of your Association as to the policy followed by the Tata Company as regards the management of its reserve, payment of dividends and so on.

Mr. Bishop.—Our Association would like to see how these figures compare with those of other industries.

President.—It includes the construction period.

Mr. Bishop.—I think it is comparatively very good as compared to other new concerns.

Mr. Ginwala.—When you were talking of that 100 per cent. dividend. I think you were thinking of the dividend on deferred shares not on ordinary shares? Deferred shares as you know come in last of all in sharing a dividend. They may be 30-rupee shares and if you pay Rs. 30 on that it comes to 100 per cent. but that does not apply to the whole of the subscribed capital. Deferred shares are very few in number. I think there is this misapprehension on the part of the public.

Mr. Bishop.—It is a fact that the public have the apprehensions which we alluded to.

Mr. Ginwala.—That applies to the deferred shares only which are a fraction of the original capital.

President.—Nominal capital Rs. 14,16,000. There are deferred shares which are now valued at Rs. 30 each and the dividend in 1920 was Rs. 60 a share.

Mr. Ginwala.—Deferred shares may not get dividend at all for a considerable number of years.

Mr. Bishop.—They could afford to do that on that basis.

No. 91.

Messrs. Geo. Service & Co.

WRITTEN.

Statement I.—Original representation submitted by Messrs. Geo. Service and Co., to the Tariff Board.

1. The tonnage of steel sold by Geo. Service & Co., in the present state of trade depression is about 10,000 tons per annum—the greater part of which, in the form of steel beams are chiefly used in floor construction and at present prices are able to compete with other forms of construction of which timber forms the principal competitor.

With the recent drop in the price of timber, however, the difference between the cost of steel and timber type of construction is reduced and it is only by emphasizing other advantages of steel over timber and other forms of construction that business can be maintained.

Any increase in the selling prices of steel caused through enhanced import duty will undoubtedly restrict business. It is in the interests of our buyers, chiefly Bombay and Mofussil Building Contractors, Engineering Workshops, Native States and others that the heavy type of steel in the forms of steel beams should be procurable at the lowest possible cost so as to ensure fire-proof and permanent structures at low cost. A reversion to the timber form of construction is a retrograde one and to be able to supply steel at a figure to compete is essential.

In this connection it may be mentioned many customers prefer timber to steel, apart from the question of price, mainly because it is more readily procurable, easier to handle and work, and it has been the custom in India to use timber for building work wherever possible.

At present we purchase our steel from British Works, Continental Works, and when rollings can be had, from the Tata Steelworks. Continental steel is at present the cheapest source of supply, and our London office can arrange to secure rapid deliveries of any particular section by having a large number of separate steel works both in Great Britain and the Continent from which they obtain supplies. In the event of a protective tariff being imposed we might find that our business would be swamped by the monopoly of supply given to Indian steel works, and also that we should not be able to obtain supplies from them so quickly as they are obtained at present from a large number of competing steel works in Europe and elsewhere. Further, there is the railway difficulty to face and it is unlikely that, for some considerable time to come, Indian Steelworks could arrange for speedy delivery on account of shortage of wagons and other facilities, while centres like Karachi are extremely difficult to serve on account of lack of through connections, and the cost of railway transit in India compared with steamer freight from Europe.

2. We are only a merchant firm of Iron and Steel Merchants and do not manufacture materials.

3. As a merchant firm competing with a large number of Indent houses and stockholders in Bombay and other centres, we have to buy our sectional steel in the cheapest market and we carry a stock of at present about 2,500 tons of steel—about 75 per cent. being steel beams of all sections and 25 per cent. made up of angles, tees, rounds and other sundry sections.

By arrangement with Richardson and Cruddas, however, we have now dealt direct for many years with the Tata Iron and Steel Works, and we are now running our 13th Contract with them for the supply of such materials as it suits us to buy and then to supply. At present the contract only amounts to about 1,000 tons per annum but was much larger in previous years when Continental steel was not available so cheaply as it now is.

In addition to the stock carried by us we import a considerable tonnage of steel for direct supply, mainly for mill work, factories, etc., and as already stated our total turnover is now about 10,000 tons which is less than normal on account of dull trade.

4. The principal consumers of our materials have already been given. They are Government Departments, Railways, Native States, Private Workshops, Mills and Factories, Building Contractors and Private Consumers of all kinds. As regards export of steel we have shipped a considerable quantity to Persia and Irak, but on account of difficulty of claiming drawback of Customs duty and the competition of direct supplies of steel from Europe to Busra we have recently been unable to compete from our Bombay Stocks.

5. Our plain sectional steel is bought extensively for use by Fabricating Firms, Railway and other workshops, and we should say a considerable proportion of our tonnage forms the raw material of other industries.

6. The competition we have to meet is from Merchants and Indent Houses in a similar line of business to ourselves. Occasionally the Tata Steel Works have cut into our retail trade in distant markets but we are on very friendly terms with them.

It would be an advantage, however, if the retail trade were left in the hands of stockholders like ourselves.

Generally speaking the imposition of a protective duty on steel materials imported by us would not accrue to our advantage as the cost would automatically be raised against the competition of cheaper forms of construction as timber, reinforced concrete, etc., and the tendency would be to give the big Indian Producers of steel a monopoly of the retail trade as well.

The maintenance of a basic steel industry is a matter of national importance, but we are averse on economic grounds to a high protective tariff which would affect the development of Indian Industries and be a great hardship on small consumers throughout the country and consequently retard the diffused industrial growth of India.

Any assistance the Tata Steel Works may prove to require, after the closest investigation, should take more the form of bounties than that of a high tariff wall. At the same time we do not think another 5 per cent. duty on steel, making 15 per cent. in all would seriously retard the country's progress or place a severe handicap on its economic prosperity.

But the rate of duty should apply to all kinds of steel, either raw or finished, now made in India and should be directed to fostering the development of the fabricating industries in India to whom we sell a considerable part of our tonnage.

Further, as suggested in the Fiscal Commission Report duty should be charged to all Government Departments, Railways and Native States alike.

It is extremely unfair and a severe handicap on the development of Indian Industries that the biggest buyers of all, like Government and the State Railways, should be able to escape the payment of duty.

By an increased duty assessed as above, Government should be able to not only assist the diffused Industrial development of India, but will be able to provide a bounty for the basic steel producers whose industries would be entitled to this assistance from the point of view of National importance.

STATEMENT II.

CURRENT BRITISH PRICES FOR STEEL.

Galvanized Corrugated Iron Sheets.

		Rs.	A.		Rs.	A.		Rs.	A.		Rs.	A.		Rs.	A.
32″ × 24 G	6	17	4	7	17	4	8	17	4	9	17	4	10	17	4
27″ × 24 G	6	15	14	7	15	14	8	15	14	9	15	14	10	16	0
32″ × 20 G	6	17	12	7	17	12	8	17	12	9	17	12	10	17	12
32″ × 22 G	6	17	12	7	17	12	8	17	12	9	17	12	10	17	12

Angles Rs.	A.		Tees. Rs.	A.
9	0	1½″ × 1½″ × 1/4″	10	0
9	0	2″ × 2″ × 1/4″	10	0
9	12	2″ × 2″ × 3/8″	9	8
9	0	2½″ × 2½″ × 1/4″	9	8
9	0	2½″ × 2½″ × 5/16″	9	8
9	0	2½″ × 2½″ × 3/8″	9	8
9	8	3″ × 3″ × 1/4″	..	
9	0	3″ × 3″ × 3/8″	10	4
9	0	3″ × 3″ × 1/2″	9	12
9	0	3½″ × 3½″ × 3/8″	9	12
9	0	3½″ × 3½″ × 1/2″	9	12
9	0	4″ × 4″ × 3/8″	9	12
9	0	4″ × 4″ × 1/2″	9	12

Galvanized Plain Sheets.

	Rs.	A.		Rs.	A.		Rs.	A.
24 G	17	12	20 G	19	4	22 G	19	4

Black Sheets.

	Rs.	A.		Rs.	A.		Rs.	A.		Rs.	A.
1/16″	11	8	1/8″	8	8	3/16″	8	8	1/4″	8	4
5/16″	8	2	3/8″	8	4	1/2″	8	0			

Rounds.

	Rs.	A.		Rs.	A.		Rs.	A.		Rs.	A.
3/16″	9	12	1/4″	10	4	5/16″	8	10	3/8″	8	2
1/2″	7	10	5/8″	7	10	3/4″	7	10	7/8″	7	10
1″	7	10	1¼″	7	10	1½″	7	10	1¾″	7	10
									2″	8	0

Flats.

	Rs.	A.		Rs.	A.		Rs.	A.
1½″ × 1/4″	7	10	1½″ × 3/8″	7	10	1″ × 1/2″	7	10
2″ × 1/2″	7	10	2″ × 1/4″	7	10	1¾″ × 3/8″	7	9
1½″ × 1/2″	7	10	2½″ × 1/2″	7	12	4″ × 1/2″	8	4
2″ × 3/8″	7	10	1¾″ × 1/2″	7	12	3″ × 1/2″	8	4

Squares.

3/16″	9	14	1/4″	9	12	5/16″	8	12	3/8″	8	12
1/2″	7	10	5/8″	7	8	3/4″	7	10	7/8″	7	10
1″	7	10	1¼″	7	14	1½″	None		1¾″	7	12
2″	8	12									

Oral evidence of Mr. A. R. REITH, representing Messrs. George Service & Co., recorded at Bombay on the 22nd November 1923.

President.—I would like to say at the outset that we are greatly indebted to you for having sent in your written statement and coming to give evidence at very short notice. We regret we could not give you a later date, but our programme being fixed, we had to fit you in as best as we could.

I gather from your written statement that it is structural steel that your firm is chiefly interested in?

Mr. Reith.—Yes, principally steel beams, about 75 per cent.

President.—That is to say, you are not much concerned with bars in your business?

Mr. Reith.—No.

President.—It is mainly steel that is required for bridge-making and so on?

Mr. Reith.—Yes. The bread and butter in our business is steel beams.

President.—At present do you import very largely from the Continent or from Great Britain?

Mr. Reith.—From the Continent.

President.—Has that been so for some time past or has there been any change in that respect, say, during the last three years?

Mr. Reith.—During the war it was not possible to get steel from the Continent at all and even after the war we found that steel was more readily procurable from Great Britain: also in 1920 we made a contract with the Tata Iron and Steel Co. for about 4,000 tons of steel, but they were very busy at that time. The British works also became very busy and in spite of a substantially large tonnage against various contracts, we were able to get only a limited supply and the result was that the market dropped away very badly and lots of people like ourselves got landed with large stocks bought at a high price. After that, the Continental goods began to cut into the steel market and in 1920 they were underquoting British prices and since then the Continent has maintained the lead from the price point of view.

President.—What is the difference at present for steel beams?

Mr. Reith.—The price of British steel beams is I think £9-18-9 c. i. f. seaboard and I think the Continental price is £8-16-6. Another report was that the British price was rising and the Continental price was falling, the reason for British prices rising being that, in view of the protective policy of Government, there is a tendency on the part of the steel manufacturers to push up prices, while the reason for the fall in Continental prices is that the exchange is falling away. The difference of £1 a ton is very largely made up by freight.

President.—Could you tell us what the difference is?

Mr. Reith.—I think the British freights are roughly about 25 shillings and the Continental about 17/6 a ton. They were much cheaper—about 14 shillings and odd: they have gone up on both sides.

President.—But still there is a difference in freight of about 7/6 and the balance is the difference in the f. o. b. price?

Mr. Reith.—May be on account of the exchange

President.—Is that what it has been for the last two years?

Mr. Reith.—When first the Continent started quoting I think there was a bigger difference, but the difference tended to stabilize at this figure. Both sides are working at the bottom price and would not be able to reduce any further without loss.

President.—The quotations you have given are for steel beams of practically the same quality?

Mr. Reith.—The Continental quality is about 24 to 26 tensile strength and the British is 26 to 32 pounds.

President.—There is some difference?

Mr. Reith.—There is some difference, but for ordinary building purposes it is not of much importance. With regard to this question of the difference in c. i. f. price, I believe you asked Mr. Richardson to give that information. Well, we have been compiling that information for the last two or three years showing the Continental price from week to week.

President.—We are very much indebted to you for this; it will be very useful to us. On page 1 in the second paragraph you say "With the recent drop in the price of timber, however. the difference between the cost of steel and timber type of construction is reduced, and it is only by emphasizing other advantages of steel over timber and other forms of constructions that business can be maintained." When did this drop in the price of timber take place and can you ascribe it to any particular cause?

Mr. Reith.—I do not know much about the market in timber, but people come to us and say that timber is cheaper and ask for reduction in the price of steel. There has been a drop in the price of timber since the war. Is that what you allude to?

President.—It is partly that, but I am not considering the present position of steel but what is the development more or less month by month during the last year or two. But recently there has been a drop in the price of timber as well. Does that timber come from Burma chiefly?

Mr. Reith.—Yes. The drop in price is due to bad trade, I think. There is a reduced demand for everything and people have got to sell what they have, that is the reason for a drop in the price of timber.

President.—Taking the prices as they are to-day and supposing there was an increase in the price of steel, timber remaining as it is, to what extent would the price of steel have to rise before there was any substantial change as regards the employment of timber?

Mr. Reith.—At present we are very apprehensive with regard to that position because before the war we did a very large trade in steel beams for people putting up steel buildings. Go round the bazar to-day, you will find a very large number of buildings being put up in timber because there is a prejudice against the use of steel beams as they are not supposed to last long in Bombay on account of the sea sand and lime combining to affect the steel work and make it rusty. There is another thing. On the top floors of buildings in Bombay the heat causes the steel to expand and in some cases the roofs crack and allow water to get in. We have to fight these prejudices and I believe one might say that the steel beams market for building purposes has been adversely affected during the last two or three years on account of these reasons, so that a further increase in the price of steel would be a further handicap. But even if it went up by another 10 per cent., I don't think it would affect the position so very badly—it is already affected badly—and it would not impose a very great handicap, though the business is not so good as it was.

President.—Of course the curtailment must be to some extent due to general slackness of business. Do you think if things became more prosperous again the demand for steel, like the demand for everything else, in Bombay would be likely to go up?

Mr. Reith.—Yes.

President.—In the case of buildings like factory buildings would timber be at all likely to be able to compete?

Mr. Reith.—I know of some factories recently where they have adopted timber as it is cheaper than steel. Generally in trying to sell our steel we try to persuade people that steel is more fireproof and so on, but India is a conservative country and it is hard sometimes to induce people to adopt steel. Generally, I should say, the Fire Insurance companies prefer steel to wood.

President.—At the bottom of page 1 and top of page 2 you say "In the event of a protective tariff being imposed we might find that our business would be swamped by the monopoly of supply given to Indian steelworks, and also that we should not be able to obtain supplies from them so quickly as they

are obtained at present from a large number of competing steel works in Europe and elsewhere." There would not be for a considerable number of years to come a monopoly of supply because the total production of the Tata Iron and Steel Co., when they get the Greater Extensions working, will be about 400,000 tons, and that will not supply anything like the whole requirement of India.

Mr. Reith.—They would supply a very large proportion of the requirements of Bombay and Calcutta, but there would still remain a very large part of India where they could never supply because they are inaccessible from the Tata Co.'s works.

President.—Naturally it would be the markets close to them—Calcutta more than Bombay—where they would be in a position to cover the whole demand of certain kinds of steel. But then the difficulty you anticipate is as to the time in which you could obtain supplies and the variety of sections that the Tata Co. cannot stock or undertake to roll at once.

Mr. Reith.—Tatas have got a 40 inch mill on which they roll sections up to 15″ x 6″. It is possible to imagine that the Tata Co. may be supplying these different sections. At one time all their mills were occupied; if orders come in for other sections they are not able to fulfil them until these sections are completed Our London office in sending enquiries to a particular steel works similar to Tatas, when they find that they are busy in rolling and cannot supply, simply ask others who are doing that sort of thing to do it for us and thus they are able to get quicker deliveries. The position of the Tata Co. is that they would be able to supply the demand for steel on account of having been able to put in more rolls and they would endeavour to carry stocks at Jamshedpur, or they may stock in Bombay also. Well, the carrying of stocks at Bombay would mean really a formal competition against stock holders like ourselves and that will prejudice our stock position because the stock means that they would cut in the retail sales, whereas what we want is that the retail trade should be left in the hands of people like ourselves The effect of having that stock would mean that they would have to endeavour to cultivate retail trade for the disposal of their goods. That I think would be somewhat against the interest of merchant firms who have hitherto imported steel for stocking purpose from Europe.

President—I take it that when protection is introduced in any country that kind of thing may occur. There is always the possibility of course that the Tata Co. might utilize the services of some of the existing merchant firms instead of holding stock themselves. They might work it out in that way. You hold a certain stock at present, don't you?

Mr. Reith.—Yes.

President.—In any case that is not exactly the point that is raised in the sentence we read. After all, if the Tata Co. were unable to supply the particular sections you require, you have still got the alternative of importing

Mr Reith.—Yes, we have.

President.—It does not seem to me that the position would differ materially in that respect from what it is at present. What is the practice of the Tata Co. about prices—are they selling just below the price of the imported material? I don't want anything like confidential information about any particular arrangement you may have with the Tata Co.

Mr. Reith.—I think the Tata Iron and Steel Co. have hitherto sold steel in Bombay at c. i. f. British price, not the Continental price—or slightly less But they have never attempted, to my knowledge, to sell at the Continental price, if less.

President.—In view of the policy of the firm as regards the manufacture of steel up to British specification, it is to a large extent what one would expect to be their policy, and it corroborates what other people have told us that it is with the British steel on the whole that the Tata Co. compete. The only variation is that some of the importers have told us that in the up-country markets, for instance in the United Provinces and the Punjab, the Tata Co.'s advantage in railway freight is sufficiently great to cut off Continental steel. That of course is rather a different state of affairs. But then supposing that the difference were substantially increased, I take it that the Tata Co.'s object

would be to get as high a price as they could, provided they succeeded in getting just under the price of the imported stuff, and therefore, if they were unable to supply particular sections and you had to import them, the difference between the imported stuff and the Indian stuff would not be any greater than at present?

Mr. Reith.—It is very often difficult when supplying steel for buildings to split up different makes of steel for different sections. One prefers as a rule to try and place business for the same make throughout. It somewhat complicates business if you introduce two or three different makes of steel to one kind of work.

President.—There might be difficulties of that kind. Then as regards the shortage of wagons, have you had difficulties in getting deliveries of steel from the Tata Co.? Is there apt to be great delay in getting the steel?

Mr. Reith.—In this connection I may say that we are not buying much at present—about 1,000 tons a year, that is not very much—and the difficulty has mainly been to get wagon loads. On account of the percentage being small we have had to wait and make up a parcel of sufficient weight to enable us to get a wagon load so that we can get, or at least the Tata Co. get, wagon load freight from Jamshedpur, which is Rs. 18.

President.—On the other hand, if you were ordering larger quantities from Jamshedpur it would be easier to make up your wagon load?

Mr. Reith.—In 1920 we did order large quantities. We found very considerable difficulty in getting bogey wagons which could take long beams up to 40 feet. There was a shortage of bogey wagons all along the line and the B. N. Railway were short of rolling stock like all the local railways.

President.—So that for these larger sizes of beams there will be a total shortage of wagons, that is to say, there are no wagons that can take them?

Mr. Reith.—Bogey wagons are 44′ long and it is an expensive wagon and can only be used for long things like beams.

President.—But as regards the smaller sizes, there would not probably be the same difficulty?

Mr. Reith.—No, but I should say that the bulk of the steel that we get from the Tata Co. has come in bogey wagons.

President.—On the other hand, I take it that if the B. N. Railway found that traffic of that kind was developing, they would find means to provide more wagons?

Mr. Reith.—It would take some years to do it as regards Bombay.

President.—Then, you tell us that you are now running your 13th contract with the Tata Iron and Steel Co. for the supply of raw materials. Have you found the quality of their supplies satisfactory?

Mr. Reith.—We supply their steel for building purposes. We do not analyse separately. We get their test certificates and they are all right. I have heard from other people that during the war and after the war the steel was a little bit hard and I think recently the quality of their steel has improved.

President.—Have you had any complaints from any of your customers about it, say, in the last two years?

Mr. Reith.—We have only had complaints with regard to sections not being fully rolled. I mean that the rolling has been carelessly carried out.

President.—You had one or two complaints of that kind?

Mr. Reith.—Yes.

President.—Is the steel that you hold in stock raw steel, *i.e.*, unfabricated steel?

Mr. Reith.—Plain sectional steel.

President.—When you import for direct supply, is that partly fabricated and partly plain sectional steel?

Mr. Reith.—All plain sections.

President.—You don't deal in any imported fabricated steel?

Mr. Reith.—No. The reason why we don't is because we have trading arrangements with another firm who do fabricating for us. Previous to that we did.

President.—Is that a recent arrangement?

Mr. Reith.—We entered into an arrangement in 1910

President.—It has been going on since 1910?

Mr. Reith.—Yes.

President.—As regards the export of steel to Persia and Irak, is that a trade which has sprung up during the war or were you doing that before the war?

Mr. Reith.—We did a very limited trade before the war of export to Iraq. I went up to the Gulf in 1919 and was able to make arrangements by which in 1920 we shipped a very large quantity of steel to Messrs. David Sasoon & Co. in Persia, but they began to find out that the Continental steel could be imported direct. We had to pay an import duty here. We could not deliver the stuff to the customers as we got no drawback and they would not give us a drawback and we had to let that stand. Added to that, there is a very heavy freight from Bombay to Basra as compared with the direct freight. For these reasons we could not compete.

President.—Is there no arrangement in the Bombay port by which steel can be stored on bond and re-exported without actually passing the customs barrier at all?

Mr. Reith.—In that case it is necessary to have orders on hand. If we have not got an order on hand at the time it is imported, we have to take it to the stock-yard or cut it to lengths required when the order is for certain lengths

President.—If you are to make arrangements for all that, you will have to be sure of the trade. Would it be worth while making such arrangements?

Mr. Reith.—In all cases like that, we would wait till we got the orders. If we got them, we could ask the London Office to ship it directly. In Persia there is very little trade. It is a very backward country and there is practically nothing of steel which is sent from Bombay so far as I know.

President.—I should not imagine that that demand is of very great importance. Your general position is that the maintenance of a basic steel industry is a matter of national importance; that is to say, you think that the existence of the manufacture of steel in India is of such importance that it is worth while for Government to assist it to the extent necessary to enable it to persist?

Mr. Reith.—I think that the late war proved that it was essential to have a steel industry in India and if those circumstances arose again, I think that we should still find that we need it.

President.—Therefore it would be the legitimate object of assistance by Government for the sole reason that it is considered necessary for the national security?

Mr. Reith.—Yes.

President.—But you apprehend that, if the assistance took the form of high import duty, it would be injurious to the industrial development of the country?

Mr. Reith.—Yes.

President.—You say that it would retard the diffused industrial growth of India.

Mr. Reith.—India is a poor country and it is a country where, if you want to trade, you have got to sell the cheapest classes of articles, and anything that imposes a handicap on selling them and on getting the people to change their existing methods of using timber, etc., and to use steel instead, is likely to retard the industrial development of India. In this connection I think that it ought to be remembered that a very large part of the steel that is imported at Bombay goes to all the villages up-country and Gujerat where village blacksmiths turn it into tyres and ploughs and it is all used up in various forms. In order that the village blacksmith may be able to sell it to others, it is necessary that he should be able to buy it cheaply.

President.—It is largely the Continental steel that is imported in the form of bars that goes into that trade, I take it?

Mr. Reith.—Yes, flat bars and round bars.

President.—Although you are adverse to the imposition of a high protective tariff and favour as an alternative the grant of bounties or subsidies, you have said "At the same time we do not think another 5 per cent. duty on steel, making 15 per cent. in all, would seriously retard the country's progress or place a severe handicap on its economic prosperity." A little earlier, in reply to one of my questions, you told us that as regards the substitution of timber, you did not think that even an increase of another 10 per cent. would make any very substantial difference. I take it that you would like to say that any enhanced import duty that may be imposed must be limited to 5 or at the most 10 per cent. Is that your general position?

Mr. Reith.—I don't like to suggest even the 10 per cent. I think I mentioned that mainly in reply to a point from yourself which indicated the maximum extent to which protection could go. I think in a matter like this it is very necessary to go very slowly. Later on, 5, 6 or 10 years hence, if you find that the country would stand 10 per cent., then stick it on. It is a matter of carefully testing the economic position of the country. The tariff figures should either be going up or coming down according to the country's state of prosperity.

President.—On the other hand, there are other aspects of the case that have to be considered. If you adopt the policy of protection, it must be effective. If you merely raised the duties and failed to secure your primary object, well, the results would be wholly disastrous all along the line.

Mr. Reith.—The primary object of this investigation, I understand, is to see how far a bounty can be obtained for Tatas amounting to about Rs. 1¼ crores. Is not that right?

President.—There are two things. One is that the manufacture of steel by the only firm that is manufacturing at present should continue, and in the second place that other firms should be encouraged to enter upon the manufacture. I think that both these are two exceedingly important aspects of the case. If it was merely one firm and nobody else was to come into the field, I don't think that it would be a satisfactory state of affairs. So we have got to consider not only what is to be done immediately, but also what consequences it will entail. Supposing another firm starts manufacturing steel, you cannot refuse. For financial reasons, there must be some limit to the extent to which you can build up a policy of bounties. It would run into big figures if another firm started.

Mr. Reith.—I see that.

President.—It is a matter which the Board will have to consider carefully. The whole question is to what extent the thing can be done by tariff duties and to what extent it can be done by subsidies. We are trying to keep our minds entirely open on this question. I rather took it from what you had said here that you 'don't see any very serious objection to a limited increase in tariff the proceeds of which might to a large extent be devoted to giving such further assistance as was necessary in the form of bounties.' That is your general view?

Mr. Reith.—That is so. In the matter of extending protection, I think I have made it clear that it will have to be extended to all forms of steel.

President.—It would be extended to all sorts of producers All persons who import steel should pay the duty?

Mr. Reith.—Yes; also any increase in the duty should apply not only to plain sectional steel but also other steels. Those people who make fabricated steel are our customers. It would help to establish business more firmly from the industrial point of view if protection was conceded to them as well.

President.—I think that it is clear that, if the duty on raw steel were substantially increased, and if the duty on the fabricated steel was left as it is, the inevitable result would be that more fabricated steel would enter the country. People would find it cheaper to have the steel fabricated before it came out. Therefore it is an important question. As to the consequence of an increase in the duty on raw steel, as to how it would affect the fabricated steel, we questioned Major Richardson on the subject and I don't know whether we need go into that further.

Mr. Reith.—The top paragraph on page 4 refers to that.

President.—You are also of opinion that Government and the Railways should pay the import duty in exactly the same way as anybody else?

Mr. Reith.—Yes

President.—At the present moment I gather that owing to the law suit and the decision come to in the High Court, the company-managed Railways are paying no duty, and I also understand that they paid up to the date of the decision whereas the State railways did not. On the other hand, in the rules for the purchase of stores, the State Railways are supposed to take the duty into account in comparing prices. However, I gather from what you say that you don't regard that as a sufficient safeguard and you think that it is much better that they should actually pay.

Mr. Reith.—The Railway men always take duty into account and in spite of their taking it into account, I know of cases where they have gone to Great Britain for materials which they might have bought cheaper here. The duty was not paid by them. Unless it is paid in hard cash it is of no consequence.

President.—It has got to appear in their expenditure and that is what it comes to.

Mr. Reith.—Quite.

President.—In your written statement I take it that you have given the whole of your views and that you did not feel limited by the questionnaire. If you would like to supplement what you have given in the written statement, we should be glad to have it.

Mr. Reith.—If one begins to think about revising the tariff in an upward direction, the difficulty one seems to be faced with is how far to go on the Tariff Schedule for that revision. Take corrugated sheets first. Would the duty on these be increased?

President.—Well, they are part of the products which the Tata Co. expect to produce when the Greater Extensions are in full swing and therefore protection would presumably have to be given to them if their other products were protected.

Mr. Reith.—Surely they would not be protected until they actually have the tonnage available for sale.

President.—It would not take very long according to their present plans before they would be ready to produce.

Mr. Ginwala.—Do you mean the whole of the requirements or a reasonable proportion of the requirements of the country? If you insist on the former, there can be no protection to any form of steel at present.

Mr. Reith.—Perhaps on the same basis that 400,000 tons of steel would work to a reasonable percentage of the imported tonnage. Then there is the question of galvanised tubes.

President.—I don't think that there is any proposal in India to make galvanised tubes.

Mr. Reith.—There is a considerable trade in bolts and nuts. We ourselves and Richardson and Cruddas are endeavouring to work up our business in making these bolts. There is, I understand, a bolts and nuts company in Calcutta which got into very low water recently. I think that these also will probably be subjected to an increase in the duty.

President.—We had no representation from that company.

Mr. Mather.—Messrs. Burn & Co. I think have told that they make bolts.

President.—It is possible that they manufacture bolts and nuts in their general engineering business, but I don't think that they manufacture these separately.

Mr. Reith.—Richardson and Cruddas make bolts and nuts in their fabrication work. I thought that these current prices for steel might interest you (hands a statement to the President) *

President.—It would be very useful indeed.

Mr. Reith.—These are British prices. Galvanised sheets all come from England. America occasionally comes in. The corrugations are different in American sheets. If you put them together they don't fit in properly and there is always objection.

President.—Will you hand in this statement showing these prices?

Mr. Reith.—Yes.

President.—Have you any other points to mention?

Mr. Reith.—At the bottom of page 3 I say "Any assistance the Tata steel works may prove to require after the closest investigation should take more the form of bounties." Closest investigations means reconciling their present statement with other statements made by them.

President.—I don't know what other statement you refer to.

Mr. Reith.—In July 1922, they said "The company has had no difficulty in disposing of the whole of their production in India at profitable prices, and the recent imposition of a customs duty on imported steel in India of 10 per cent. will ensure a still more favourable market in the future."

President.—That is the particular statement you refer to?

Mr. Reith.—Yes.

Mr. Ginwala.—Are the prices mentioned here retail prices?

Mr. Reith.—If you go down to the market and ask for the price of a ton of round bars, they would quote you this price.

Mr. Ginwala.—Is it approximately the price at which business is actually done?

Mr. Reith.—That is *ex*-bazar. We are prepared to supply from the local bazar at that price.

Mr. Ginwala.—You gave us the price for beams at the beginning of the evidence.

Mr. Reith.—The selling prices of beams are not given there because there is no market rate for them. To carry stocks of beams requires a good deal of finance.

Mr. Ginwala.—What is the price of beams?

Mr. Reith.—It is £9-18-9, c. i. f., whereas the Continental price is £8-17-6.

President.—The duty and landing charges will have to be added, I think.

Mr. Reith.—The current sale prices for basic sections of 12 by 6 comes to about—delivery railway station Bombay—Rs. 8-8-0 a cwt., or Rs. 170 a ton. If you work that out and compare it with the British price I have given you, you will see that there is no margin of profit. So the British manufacturer is not able to have a look in at the market.

Mr. Ginwala.—The Continental price is £8-8-0 and you will have to add about £1 to that for duty, etc.

Mr. Reith.—Take the British price at £10, that is Rs. 150. Add 10 per cent. duty and about Rs. 7 for landing charges. That amounts to Rs. 172. On the top of that there is the profit to be taken into consideration. That will be another seventeen rupees, that is Rs. 189 or 190 a ton is the price at which British steel would have to be sold, whereas the local price of the Continental steel is only Rs. 170.

Mr. Ginwala.—What are the charges you have added to the c. i. f. price?

Mr. Reith.—You add duty according to Tariff and you add wharfage.

Mr. Ginwala.—How much is that per ton?

Mr. Reith.—Rs. 2-4-0 a ton you pay to the Port Trust. Then you pay cart charges for loading and unloading. That completes all the charges.

Mr. Ginwala.—How much is that?

Mr. Reith.—It depends of course where it goes to. If it is delivered round about bazar, it will be five rupees a ton.

Mr. Ginwala.—It roughly comes to Rs. 7 or Rs. 7-8-0?

Mr. Reith.—In the case of long beams, you require two carts to move a beam.

Mr. Ginwala.—I am asking you this question because in Calcutta, as far as I remember, these extra charges amounted to Rs. 5 or Rs. 5-8-0.

Mr. Reith.—It is about the same in both places.

Mr. Mather.—There is no great difference between the total landing charges here and those in Calcutta, so far as I know.

Mr. Reith.—I have never personally landed any goods in Calcutta, so I cannot say, but I believe that Bombay as a port is cheaper than Calcutta where

they have got to pay pilotage charge which is a very expensive item and it has got to be added on.

Mr. Ginwala.—Were you here during the war?

Mr. Reith.—I was here.

Mr. Ginwala.—Have you been following the trend of British prices more or less carefully?

Mr. Reith.—I have been following them, but not particularly carefully because I have not been able to buy British steel on account of competition.

Mr. Ginwala.—My point is this. You know that there have been fluctuations in the price of steel. In a year there may be a difference of £2 or more. Do you think that that difference has necessarily anything to do with the cost of production?

Mr. Reith.—I think that the reason for the high price of British steel in 1920 was this I think that labour was extremely expensive and the steel producers in Great Britain based their selling price on the cost of labour, and in the second place there was a very strong demand for steel and my experience of British steel producers is that even if they saw a silver lining to the cloud in the way of additional business, they very promptly put up the prices.

Mr. Ginwala.—That is to say, it really means that it does not depend on what it costs them but on the conditions of the market. If there is a depression in the steel industry, it will naturally bring down the prices.

Mr. Reith.—Men's wages come down automatically, because they are based on prices.

Mr. Ginwala.—We cannot get direct evidence on that point. The evidence is this. For instance, the cost of living in England has gone up by, say, 70 per cent. Wages have gone up by 30 to 40 per cent. in the steel manufacture. You cannot expect the British workmen to make cheap steel for you when their cost of living has gone up by 60 or 70 per cent. These are the things I mean when I say that the rise and the fall in the sale price of steel may not necessarily have anything to do with the cost of production.

Mr. Reith.—You refer to a specific case?

Mr. Ginwala.—Yes. Cost of producing steel.

Mr. Reith.—I do not think as a rule that we have such violent fluctuations in steel. The £2 difference in selling price was an unduly high variation that existed during the war.

Mr. Ginwala.—Look at the difference between now and 1921.

Mr. Reith.—That is the result of the boom after the war. It is absolutely exceptional.

Mr. Ginwala.—Even in this year there is a difference of 30*s.* to £2 and this, you think, is due to unusual circumstances?

Mr. Reith.—Quite unusual.

Mr. Ginwala.—Having regard to the general rise in price of materials and wages of labour and in everything, do you consider that, if you were able to get steel, say, at 50 per cent. more than the pre-war price, you would be doing reasonably well?

Mr. Reith.—Would you mind stating the question again?

Mr. Ginwala.—We know, for instance, that there is a rise in the price of labour; money is dearer than before, to some extent, the prices of other materials that go to the manufacture of steel have gone up. The rise compared to the pre-war days is, say, 50 per cent. Would you consider it reasonable or not?

Mr. Reith.—I should consider it so. I think in the case of the Continental steel it is reasonable for the moment.

Mr. Ginwala.—I am speaking of the British steel at the moment because the Continental industry is in a state of chaos for the moment.

Mr. Reith.—In the case of the British steel I do not think that a rise of 50 per cent. in the price of British steel as compared with pre-war is unreasonable, because that is exactly what has happened. British steel before the war

used to cost about £6-10 and it is now about £9, which is just a rise of about 50 per cent.

Mr. Ginwala.—If you get steel at £9 now would you consider that as a reasonable figure?

Mr. Reith.—C. i. f. price Bombay—Yes.

Mr. Ginwala.—Would you mind giving us your pre-war import prices if you can get them for some sections?

Mr. Reith.—Buying or selling price?

Mr. Ginwala.—C. i. f. prices.

Mr. Reith.—It is so long ago now it is rather difficult to recollect.

Mr Ginwala.—Can you give us them after a reference to your books?

Mr. Reith.—The lowest price of steel that we were able to lay down in Bombay (Continental steel) was Rs. 4-4-0 a cwt.

Mr. Ginwala.—When was this?

Mr. Reith.—It was in 1908. The reason why we were able to lay down so cheap was this: when the Hansa Line shipped from Antwerp and Hamburg and specifically brought in outside steamers the result was a drop in freight of 10*s.* a ton which automatically brought down the price of steel and it was possible to sell steel at Bombay at that price. That was the lowest price I have ever heard of.

Mr. Ginwala.—You need not go so far back. Take a pre-war year, 1913. If you can send the prices after a reference to your books we shall be glad.

Mr. Reith.—I can give you the figures for Continental steel.

Mr. Ginwala.—We should like to have for both just to see how the pre-war figures were ranging.

Mr. Reith.—Pre-war price c. i. f. Continental . . £5-15-0.

Do. British somewhere between £6 and £6-5.

Mr. Ginwala.—Do you think there is some arrangement in the way of a bounty or subsidy by which Continental freights are very much lower than British freights.

Mr. Reith.—I do not think there is any bounty in Belgium or elsewhere, at least so far as I know in Belgium. I met a Belgian the other day. He said that he saw in the reports here a statement that a bounty is given in Belgium to Belgian producers and he strongly repudiated the statement to me.

Mr. Ginwala.—Why did he not repudiate it here before us?

Mr. Reith.—He has not been called to give evidence before the Board. He is a foreign subject.

Mr. Ginwala.—What can explain this difference in freight?

Mr. Reith.—The reason for the difference is that the Germans and other people, not finding very much employment for their steamers, take goods at any figure. This is not surprising when 13 million marks are equal to £1.

Mr. Ginwala.—That of course is due to the depreciation in exchange.

Mr. Reith.—It is mainly that. I believe the Continental shipping people are making handsome profits even at current prices.

Mr. Ginwala.—In the other case, I understood you to say that you have got the c. i. f. price in both cases?

Mr. Reith.—It is better to have it in the case of importations because otherwise you will not be able to quote your rate.

Mr. Ginwala.—One of the reasons why I am asking this is that in some countries where they have got anti-dumping legislation they mention low freight as a factor specially to be provided against. If we do not get any evidence as regards that, we would not be in a position to make any recommendation for such kind of legislation.

Mr. Reith.—As regards freight, it is almost impossible for India to safeguard itself. Suppose a shipping company has got a very handsome freight from Bombay, say on cotton. They would send out steamers with practically anything at all and that would bring freights down.

Mr. Ginwala.—In your opinion it would always be safe to take the c. i. f price to determine the selling price or the buying price?

Mr. Reith.—That would be the standard on which local charges and the standard profits would be fixed.

Mr. Ginwala.—It is principally the Continental countries from which you get this competition—Belgium and Luxemburg?

Mr. Reith.—I would not refer to this competition myself. Do you mean from the point of view of India?

Mr. Ginwala.—Yes.

Mr. Reith.—Most of the steel that is now imported from the Continent comes from Belgium. Before the war the bulk of the steel that came into India came in the form of beams and other sections from Stalwork, the German Steel Syndicate, with headquarters at Dusseldorf and the small sections like angles, tees, rounds and flats came from Belgium.

Mr. Ginwala.—That appears to be so from the figures I have got from the official publications--that the bulk of the foreign steel of this kind came from Germany before the war, and during the post-war period chiefly from Belgium.

Mr. Reith.—Belgium and Luxemburg.

Mr. Ginwala.—Can you say, as an expert, whether it is really Belgian steel or German steel or any other steel?

Mr. Reith.—If you go round the Bombay docks you will find that under the Sea Customs Act the steel is marked "made in Belgium" or "made in France." You will hardly find anything marked "made in Germany".

Mr. Ginwala.—Perhaps it is marked in Germany as "made in Belgium." Is there any means to identify it?

Mr. Reith.—You can ask for the makers' invoices. You can ask the importer to produce the makers' invoices. Then you can identify it.

Mr. Ginwala.—As an importer of steel, would you consider it very inconvenient for your business if you were asked in every case to produce your invoices by the customs authorities?

Mr. Reith.—We are very largely doing it now because our London office in their invoice put down as a means of ourselves verifying "so many tons of steel beams as per maker's invoice herewith." When the customs authorities see that remark in the c. i. f. invoices they immediately call for that invoice just to verify our London office price with the price shown there.

Mr. Ginwala.—That is the normal practice? It would not inconvenience importers very much to produce them?

Mr. Reith.—It is not the normal practice with Indian merchants in Bombay who quote to Bazar merchants in sterling.

Mr. Ginwala.—For administrative purposes would it not be possible for them to produce them?

Mr. Reith.—There is a good deal of objection to doing so on their own behalf. They do not want the local merchants to find out what they are buying and from whom they are buying. As we are importing for our own sake and do not sell to other people in the same line of business, we should not have any objection, but Indian merchants certainly would.

Mr. Ginwala.—In order to guide us in the matter, would you have any objection to let us have these prices in both currencies?

Mr. Reith.—I am not sure if I have got very much information. The George Service Co.'s purchases are made on a c. i. f. basis without reference to invoices. You refer to Continental purchases. I shall try and give you figures.

Mr. Ginwala.—If you could give us a few instances we should be glad. For practical purposes the United States does not count at all at present in things like beams, etc.?

Mr. Reith.—It is purely a coincidence that they do not. If they do not count at present, they may count two years hence, for all I know. At one time our firm were agents for the Carnegie, and in the nineties and in the first few years of the present century American steel was much cheaper than the Continental or the British, and large amount of tonnage was imported into India.

Mr. Ginwala.—But for the last few years there has not been much import so far as I can see from the United States in these particular kinds of steel.

Mr. Reith.—The freights are against them : also there is such a huge internal demand that they have not got much to spare and export.

Mr. Ginwala.—Is there much ferro-concrete construction here in Bombay?

Mr. Reith.—Since 1919 the ferro-concrete construction in Bombay has been enormous and it has very strongly adversely affected the market for steel here. For instance, this building is a ferro-concrete building and if it was not, steel beams would have been used. During the war there was shortage of steel beams and our business was under control by Government and people had to use something else and build their houses, etc., with reinforced concrete. After the war there were enormous developments in building and public bodies are only using reinforced concrete for building purposes. It has become a fashion, as it were, to build in reinforced concrete which has cut our market very largely for heavy steel like beams, etc.

Mr. Ginwala.—Even that would require a considerable amount of light steel.

Mr. Reith.—Comparatively speaking, the tonnage is not worth talking about.

Mr. Ginwala.—In Bombay I take it that most of the heavier buildings will not be able to substitute timber—most of these buildings in the Fort, for instance.

Mr. Reith.—The building opposite here is timber, the Bombay Club is timber, the National Bank is timber.

Mr. Ginwala.—You mean the older buildings. I am talking of the new buildings.

Mr. Reith.—If one wants to be up-to-date there is nothing like using steel beams.

President.—You are suggesting that reinforced concrete is rather the fashion but steel is more up-to-date?

Mr. Reith.—The bazar merchant prefers timber to steel. It is the traditional form of construction; not only that, but it can be more easily handled. If you find a steel beam too long you have got to cut it by a smith and he works at it for the whole day. It is very hard to make a comparison between the two. It is very difficult to work out exactly what corresponding section of timber would serve the purpose of a steel beam. That is a matter of calculation.

Mr. Ginwala.—Is not the margin sufficiently in favour of steel for erecting buildings now, taking everything into consideration?

Mr. Reith.—No, because you have got to take into account the prejudice of the buyer, but if you take the strength alone you will find a considerable difference in favour of steel.

Mr. Ginwala.—The prices of steel in 1920-21 were the highest since the war?

Mr. Reith.—Yes.

Mr. Ginwala—And at the same time the consumption, so far as beams and pillars go, is the highest on record.

In 1920-21	the import was	78,000 tons.
In 1921-22	,,	58,000 tons.
In 1922-23	,,	66,000 tons in round figures.

According to these figures I have calculated the consumption was highest in 1920-21.

Mr. Reith.—Perhaps towards the end of 1919 and the beginning of 1920 the price of steel was the highest.

Mr. Ginwala.—That is the idea. I mean to say that the increased price of steel does not necessarily affect the demand, provided there is not a general depression all round.

Mr. Reith.—I do not think you can read that meaning in the post-war period quite in that way. Take our position in 1919. Everybody said there is going to be a trade boom for the next five years. We were not able during the war years to have any trade. There was more demand for steel. We went and entered into large contracts with Tatas for 4,000 tons of steel which, if we had made to-day, would have involved us in very heavy loss. On account of this, people made large expenses on production encouraged by the British manufacturers, and the whole tendency of the world and a huge buying movement was

set in force. Later on trouble came, stocks were laid down. The British markets fell and affected prices locally, and we ourselves found that our stocks had been drastically written down, and we have been writing down our stocks every year since the war finished.

Mr. Ginwala.—You cannot lay it down generally that because there is an increase of 5 per cent. or 10 per cent. duty it will affect the demand for steel: there are so many other factors which contribute to the demand for steel. It is largely used by the richer kind of consumers.

Mr. Reith.—For building purposes men must have money.

Mr. Ginwala.—I think you suggested in your statement that fabricated steel ought to be protected. Do you mean to say that it needs more protection than raw steel?

Mr. Reith.—From George Service & Co.'s point of view I am not much interested in fabrication, but I can tell you what I hear from people who buy that steel.

Mr. Ginwala.—I want to know your view. If a higher tariff is put on raw steel, so far as it is used as a raw material for fabricated steel, that would become more expensive, so that in any case that difference will have to be made good—assuming raw steel gets protection. What I want to know is—in addition to that do you suggest that fabricated steel should be protected in itself? Is my point clear to you?

Mr. Reith.—You mean to say that if you had, say, a duty of 15 per cent. on plain sectional steel, should that 15 per cent. be put on fabricated steel or anything higher? I should say that fabricated steel in India is a thing that can very easily be done, it does not entail very much trouble or a great deal of capital. The laying down of a bridge shop or a fabricating yard does not require very much power. It is an industry which is very much suited to India and an additional protection like that would help and add to the industrial strength of the country. That is what I should say about it. Additional protection would be helpful in that way.

Mr. Ginwala.—Would you extend this protection to all kinds of fabricated steel or only to such kinds of steel as are manufactured in this country. I mean you can have raw steel of the kind that is not manufactured in this country and you can fabricate it here.

Mr. Reith.—I think in considering this question of protection we ought only to protect something which is produced in some volume in India.

Mr. Ginwala.—So far as protection to raw steel is concerned the position is a little simpler than protection of fabricated steel because you need only protect that kind of raw steel that is produced in this country. With regard to fabricated steel you may import any other kind of steel that is not produced in this country and fabricate it here. So there the question is a little wider. In that case will you propose that all kinds of fabricated steel, whether the raw steel is manufactured here or not, ought to be protected?

Mr. Reith.—I would advocate that, if protection is intended, all kinds of steel whether raw, plain, sectional or fabricated steel, should be protected. In this connection I would like to mention that in the import tariff I think boilers come under machinery—do they not? I remember that one of the Directors of Tatas suggested to me some years ago that it might be worth while considering the manufacture of boilers at Jamshedpur. Had we commenced the manufacture of boilers at Jamshedpur we would not have any degree of protection above 2½ per cent.

Mr. Ginwala.—That is the point I am asking you about now. Supposing you imported boiler plates which are not manufactured at Tatas and which are not likely to be manufactured for some time and manufactured boilers here, would you recommend protection on that?

Mr. Reith.—Certainly we should. I would remove it from the category of machinery and put it under 'fabricated.' Machinery requires to be very accurately defined in that respect.

Mr. Ginwala.—I do not quite follow your point of view. You are advocating this line in the interests of whom—in the interest of fabricating firms?

Mr. Reith.—I have mentioned that in my representation:—page 3 "Our plain sectional steel is bought extensively for use by fabricating firms and other workshops and we should say a considerable proportion of our tonnage forms the

raw material of other industries." Then again on page 4 of the representation I have said "But the rate of duty should apply to all kinds of steel either raw or finished now made in India and should be directed to fostering the development of the fabricating industries in India to whom we sell a considerable part of our tonnage." Does it not make it clear?

Mr. Ginwala.—Yes. Does that mean that you consider the development of the fabricating industry as equally important with the development and manufacture of raw steel—or of even greater importance?

Mr. Reith.—I consider it of even greater importance because it is in a diffused form of activity. The manufacture of raw steel in India is a huge concentrated effort of industrialism. What is wanted, I think, is diffused industrial development, every province, every town, every village should develop as a whole and not as big patches as it were.

Mr. Ginwala.—It comes to this, I think, that supposing it was not a question of protection of the manufacture of raw steel, even apart from that this question would have been worth considering. Is that what you mean?

Mr. Reith.—Yes, protection of fabricated steel.

President.—At any rate, we are not considering any suggestion of that kind. We have always to bear in mind the conditions laid down by the Fiscal Commission and the question that would arise is what natural advantages the fabricating industry possesses, apart from the manufacture of raw steel in India?

Mr. Reith.—Does not this question rather apply to something being made from raw material of some kind? What I mean by raw material is minerals, oil extracts and things of that kind.

President.—What they contemplate is that protection should be given only to industries possessing natural advantages which cannot at the outset compete, but will eventually compete, on level terms with foreign manufactures; that is, I think, the general statement.

Mr. Reith.—If you put it on an independent basis of its own, apart from the manufacture of steel, then I think I would suggest to you it would be difficult to bring the fabricating industry in itself within the four corners of these recommendations.

President.—Say, for the sake of argument, there was no steel industry in India. The first condition to be satisfied is that the industry must be one possessing natural advantages such as an abundant supply of raw materials. Then there could not be any question of protecting fabricated steel, since the abundant supply of raw materials would not be there.

Mr. Reith.—We could get an abundant supply from abroad.

President.—Surely that is not what the commission meant. I don't think they contemplated imported raw material.

Mr. Reith.—I was not quite sure of that.

Mr. Ginwala.—At present that difficulty has not got such a serious aspect as it otherwise would have because we are now investigating the question of the raw material itself. Then, about the question of payment of duty by Government, you have told us that the mere fact that Government officers have got to take the duty into account in comparing prices does not really operate as a means of making them act upon that always.

Mr. Reith.—That is mentioned here and I have also found from what I have heard from other people.

Mr. Ginwala.—It comes to this—that the officer takes into account the fact that the duty should be included in the price of the imported article but he also remembers that he does not actually pay the duty; that is really what it comes to?

Mr. Reith.—He therefore forgets all about it.

Mr. Ginwala.—May I take it to mean that, supposing there were no means of finding money, in the event of our recommending protection of steel, for bounties, up to 5 per cent. or say 10 per cent. would not really matter to the country—in your opinion?

Mr. Reith.—I am very loath to suggest any increase as India is a very poor country, but I don't think it would make such a vast difference as some people make out.

Mr. Ginwala.—If the position of steel in this country was such that you must make a reasonable amount of sacrifice to protect the steel industry, from the national point of view what would you suggest?

Mr. Reith.—If it is essential to protect the raw steel which is produced by the steel works in the country, if on a closer examination of their financial position it is found essential to give them protection for national purposes, then I think the country should pay for it and I think the country can afford to pay it by imposing a higher rate of duty on steel imported into India, whether plain, or blooms or fabricated or in any other form, provided the Government departments, the Railways and the Native States paid the same rate of duty as the general public, because otherwise it makes the handicap greater than ever.

Mr. Ginwala.—By this close investigation we are trying to make the position as clear as possible. Would you mind amplifying a bit your statement and telling us what you mean by handicap, so far as the Tata Company are concerned?

Mr. Reith.—I have got nothing that I can say as regards the Tata Iron and Steel Co.'s internal position because I know nothing about it. I have been to their steel works three times and I was immensely impressed with what I saw and the place struck me, as an outsider, as being most efficiently run. I can only refer you to remarks made by such people as Mr. J. A. Wadia and other people who know more about it than I do. Mr. Wadia spoke at a meeting in Bombay—I do not know what he had at the back of his mind—and no doubt he would be a very desirable witness before the Tariff Board.

Mr. Ginwala.—The Tariff Board would welcome any witness who chose to give verbal evidence.

Mr. Reith.—I am a shareholder of the Company and we know the present price, but I do not know if the shareholders would be paid in relationship to their advancement.

Mr. Ginwala.—In a general statement like that we find it very hard to get at what we are anxious to investigate.

Mr. Reith.—I am afraid I am not in a position to give any evidence on that point because I do not know.

Mr. Ginwala.—In the prospectus you showed us just now I think the main suggestion is that they felt that they could go on without further protection than they were getting and now their case is that they want 33⅓ per cent.

Mr. Reith.—The prices have dropped badly since the war. It is also a prospectus of course!

Mr. Ginwala.—From your own experience in this line of business can you say if it is a fact that since that prospectus issued the prices have dropped?

Mr. Reith.—I am not able to say very much about that. I think there has been a fall but how much I cannot say.

Mr. Ginwala.—With regard to the Continental steel, Tatas case is that competition is far more severe than from the United Kingdom except of course in the matter of rails and things like that which are of special British manufacture?

Mr. Reith.—In reply to that question I should say that once you get a statement showing comparative prices you will be able to see for yourselves whether there is any difference.

Mr. Ginwala.—You have told us that the quality of the Continental steel is slightly inferior to British steel. Can you give us an idea of the degree of inferiority?

Mr. Reith.—This is a very difficult question for me to answer because it is a matter of chemical analysis, but I can only say that if we take the tensile strength there is a slight difference of a few pounds which for ordinary building purposes is not of any account.

Mr. Kale.—Do you think Continental steel is found to be more suitable in India on account of the poverty of the people who cannot buy a higher grade?

Mr. Reith.—That is so.

Mr. Kale.—Before the war it was the general impression in the country that goods were imported into India from Japan, Germany, Austria and

Belgium, which were of inferior quality, but at the same time cheaper in price than those from England, America and France, so that the general population in India, being poor, wanted cheaper goods though they were of inferior quality?

Mr. Reith.—I think it applies generally to steel.

Mr. Kale.—You were speaking of the substitution of timber in place of steel in Bombay. Has that anything to do with the slump that has taken place in house property in the last two years in Bombay?

Mr. Reith.—I don't think that even if steel had been used, it would have prevented the slump in house property.

Mr. Kale.—On account of the slump people cannot afford to use steel and are inclined to use timber wherever new buildings are being put up, isn't that so?

Mr. Reith.—I don't think so. My note explains the relative position of steel and timber, and makes out, I think, that steel is a little cheaper than timber : that is the impression I intended to convey.

Mr. Kale.—Why then should people use timber? Is it only on account of their prejudice and custom?

Mr. Reith.—The reason why they use timber is that it is more readily available. Take the case of a 12′-6″ beam. You will find it difficult to cut that to the proper size. But you can always cut a timber beam in a couple of days and can always get it quickly even in an out-of-the-way sort of place. But it is not so in the case of a steel beam, as you have got to drill holes in the pillars, cut the beam to the proper size for which you require a special kind of labour.

Mr. Kale.—Would you say that this applies more or less to small places?

Mr. Reith.—This applies equally to Bombay. There is great prejudice against the use of steel here on account of the lime in the sea sand which acts adversely on the steel.

Mr. Kale.—I think you said that in the next few years the price of steel is likely to be higher than the pre-war price by about 50 per cent. Am I correct?

Mr. Reith.—I don't think you are correct there. I should not agree to predict the future, even the next two months,—it is extremely unsafe. All I think I said was that from what I had read and heard it appeared that both the Continental and British producers of steel were practically selling at bottom rates. That means that unless they got a reduction in the cost of labour, which is unlikely, or in the price of raw materials like coal or manganese or anything like that, any lowering of the price would be unremunerative. How long this position will continue I am not able to say.

Mr. Kale—Will it be an inaccurate forecast if one says that the prices during the next two years will be 30 per cent. higher, or will it be wide of the mark?

Mr. Reith.—Provided the German marks do not drop further, it would be fairly close to the mark.

Mr. Kale.—You have said in your written statement that in the interests of future industrial development it is necessary that the price of steel should be kept as low as possible. I want to put it to you in this way. Supposing the consumer in India is prepared to pay a higher price for assisting the steel industry in this country, what will you say to that? Supposing the Government of India, on that account, decides to put up the duty which would increase the price of all steel used in this country then what will you say to that?

Mr. Reith.—I should say the consumer will pay it.

Mr. Kale.—The consumer balances in his mind the advantages and disadvantages—the disadvantage of having to pay a higher price for his materials and the advantage of having rapid industrial development on account of the opening of steel works in this country. This view may reconcile the consumer to the payment of a higher price?

Mr. Reith.—Personally I don't think there is much objection to a slight increase in the duty so long as it is kept within limits and does not increase the burden of the cultivator.

Mr. Kale.—You think that the burden of the consumer in the villages, for instance, will be very heavy?

Mr. Reith.—**Not if the duty is kept within the limits suggested by me.**

Mr. Kale.—Supposing there was a 25 per cent. duty on imported steel, do you think it would affect the raiyat in the villages very much?

Mr. Reith.—I think it is excessive. It is a substantial addition to their cost of many essential articles.

Mr. Kale.—But, on the other hand, we have to look to the needs of the steel industry. It may be very excessive from the point of view of the particular consumer but it may be necessary in order to give adequate encouragement to the steel industry. That is this difficult position that has got to be faced. On the one side you have the necessity of establishing the industry and on the other there is the sacrifice to be made by the consumer. If on a balance of the consideration it is found that the sacrifice has got to be made and the consumer is willing to make that sacrifice, then what will trades people like you have to say?

Mr. Reith.—I think the interest of the greater should be considered before the interest of the smaller number. If you increase the duty on steel to satisfy the capitalists, the producer, you are to the extent that you have mentioned adversely affecting the smaller and the poorer but the larger number of consumers of that steel.

Mr. Kale.—The contention is that primarily and at the beginning the duty on steel might benefit a few people, but in the long run it will benefit the country as a whole which means the majority of the population.

Mr. Reith.—That is your contention?

Mr. Kale.—Not my personal contention. Suppose that contention is put before you?

Mr. Reith.—That is a matter of very high politics: it is almost impossible to express any opinion about that. What I would say is that a duty of 25 per cent. is excessive from the point of view of the average consumer in India. There is always a very strong objection in India to the increase of price of anything. I think that any large increase in price has got to be most carefully investigated. A duty of 25 per cent. would involve such increase in the price of steel throughout the country that I think it would have undesirable economic consequences.

Mr. Kale.—But I am taking into account the undesirable effect, namely, that the steel industry will disappear. That will be disastrous.

Mr. Reith.—I don't think it would disappear. I think it might be possible by rearranging things that the steel industry might still exist.

Mr. Kale.—Of course no one is going to impose a duty of 25 per cent. if it is possible that the steel industry could exist with a duty of 10 or 15 per cent., but I am assuming, for argument's sake, that 10 per cent. is not adequate and 25 per cent. is found to be indispensable.

Mr. Reith.—I think it should not be applied in the form of a duty if the steel industry requires support beyond another 5 per cent. on the duties. The money would have to be found in some other direction.

Mr. Kale.—Which direction would you suggest except taxation?

Mr. Reith.—There are still opportunities by which money can be raised—of course it is very difficult to say exactly—you have got a very large revenue from the increase in the salt tax. No doubt there are other methods by which you may be able to impose some export duties or something of that kind.

Mr. Kale.—I don't know whether the Finance Department of the Government of India will find it very easy to discover such substitute.

Mr. Reith.—I think one of the possible ways would be to reduce the army expenditure, which we all in Bombay know as excessive.

President.—I am afraid that is really beyond the jurisdiction of the Tariff Board.

Mr. Mather.—You have told us that the Continental beams imported into Bombay have not got such high tensile strength as British beams or the Tata Company's beams?

Mr. Reith.—Yes. In connection with that I may say the Tata Iron and Steel Co. produced what they called a bazar quality of beams—bazar quality of

steel rather—and that steel was supposed to be marked B-Z. That meant that it did not come up to the test as it should have done and like bad money driving out the good they brought the steel on to the market which I think was a great mistake, and sold it as bazar quality and which gave their steel a bad name. I think any good steel works should produce only one quality and that is the best quality which they can produce. That bazar quality had no tensile strength given so one could not tell what it was.

Mr. Mather.—You say that it is not of great importance to the average user of beams in the Bombay Presidency that the Continental steel is not of such high tensile strength. Does it not mean that either the user has to use a heavier section of steel than he otherwise would, which would of course mean a bigger weight, or that he adopts a lower factor of safety?

Mr. Reith.—He adopts a lower factor of safety. Most of the beams that are sold in India are sold on a factor of safety which is the British standard of safety, but the American standard, I understand, is a factor of 3, so that there is some difference as regards what the factor of safety should be. From the point of view of factor of safety a difference of a pound in tensile strength is not of any account.

Mr. Mather.—It resolves itself into this—that the average user of beams in this district is, so far as he uses Continental beams, adopting a lower factor of safety than is recognized as the British standard?

Mr. Reith.—Yes.

Mr. Mather.—Can you tell us whether all the sections of beams which you import, including the Continental beams, are British standard sections, or are there any other sections that you use?

Mr. Reith.—Do you refer to Tata's steel as well?

Mr. Mather.—The Tata steel sections I know are all British standard.

Mr. Reith.—The British steel that we import are all British standard sections: the Continental steel that we import we endeavour to get as far as possible up to the British standard and to British tensile strength for which we pay extra.

Mr. Mather.—What I really want to find out is this whether there has grown up, owing to the use of Continental beams, a demand in Bombay for sections of a different size and shape than the British standard?

Mr. Reith.—Yes, there has sprung up a demand for sections which are exclusively Continental and which have no reference to the British standard.

Mr. Mather.—As far as the quality of steel is concerned you endeavour to get Continental steel of the same quality as is specified in the British standard specification?

Mr. Reith.—We endeavour to do that by paying a little extra. Take 5″ × 3″ steel beam. The British weight is 11 lbs. the Continental weight is 10 lbs. a foot but the beam measures 5″ × 3″. It is possible for unscrupulous merchants to call that a British beam and charge for 11 lbs. a foot and make 1 lb. on the weight and that occasionally happens. That is why the practice has risen in India to use the Continental standard because very often there is a gain in weight.

Mr. Mather.—My information is that it is not peculiar to Continental makers.

Mr. Reith.—I know of many British manufacturers who do that.

Mr. Mather.—On this question of quality of Tata's steel, you have mentioned in your reply to the President that at one time there were occasional complaints about Tata's steel. Just now you have given us a possible explanation, at any rate for a substantial proportion of these complaints. At one time Tata's were putting on the market what they definitely said to be a bazar quality for which they gave no guarantee, either express or implied, as regards quality. That being so, the fact that that steel is on the market is no reflection on Tata's ability to make steel.

Mr. Reith.—None whatever.

Mr. Mather.—If they think that there is a market for that stuff without any guarantee, they can make it.

Mr. Reith.—Quite.

Mr. Mather.—The aspect of the matter that interests and concerns the Board most is to make sure that in any assistance that may be given to the steel industry, they are leaving it possible for anybody in India to obtain good steel. You want good steel. I would like to know what your experience has been about the quality of Tata's steel where a certificate has been given that it has come up to the British standard? Have you found that generally to be similar in quality to the imported British steel?

Mr. Reith.—We seldom test the steel if we get it with a test certificate. We unreservedly accept that.

Mr. Mather.—It is not to be expected that you would make an independent test. Have you found in the use of such steel by your clients that it answered its purpose satisfactorily?

Mr. Reith.—My own opinion is that Tata's steel is as good as British steel.

Mr. Mather.—It is very probable that the occasional reports that were brought to your notice about the defects at one time or another applied either to the material which Tata's turned out as bazar quality or possibly to their war time supplies when Government was explicitly pressing them, for its own supplies as well as for the supply of the market, to turn out everything that can reasonably serve its purpose.

Mr. Reith.—It is giving the dog a bad name. There is rather a prejudice against Tatas, but I don't think that it is based on any substantial ground.

Mr. Mather.—Can you tell us whether there is any reliable market quotation for steel in the Bombay market?

Mr. Reith.—Yes, that is the one I handed you this morning.*

Mr. Mather.—Is that published regularly in any particular journal?

Mr. Reith.—I don't think that it is published. It is only the people who are in touch with the market that can find out. It is all in rupees.

Mr. Mather.—Have you looked at the published reports of British prices or Continental prices in the same way at all? Whenever you get definite quotations from your London office of prices at which steel will actually be sold, do you compare those at all regularly with the trade paper quotations?

Mr. Reith.—I have hardly any time to read trade papers. The only paper which gives information is "Quin's Gazette" which is looked upon as very reliable for giving the price of steel—I mean f. o. b. price.

Mr. Mather.—Do you find that these figures compare favourably with the quotations that you have given?

Mr. Reith.—They are fairly reliable. It is possible, if you squeeze the seller, to get a little advantage.

Mr. Mather.—In a buyer's market such as has prevailed for the last two years on the whole, the market quotations tend to be rather higher than the figures at which business could actually be done.

Mr. Reith.—I think so.

Mr. Mather.—You can generally squeeze the seller to accept a lower price?

Mr. Reith.—If he is hard up, he will accept; if he is not, he won't. It depends entirely on the state of the market.

Mr. Mather.—I am not quite sure whether I got your reply to Mr. Ginwala correctly on one point. You said that men's wages in steel works were based on the selling price.

Mr. Reith.—I have very little information on that point. I have never studied that at all, but I believe that men's wages are based on the selling price.

Mr. Mather.—In the steel trade?

Mr. Reith.—I think so. I believe that there is some arrangement of that kind, by which remuneration of the workmen is based on the selling price of steel, though I am not quite sure.

* Statement II.

Mr. Mather.—I think that when from time to time periodical considerations of revision of wages come up, the relation of wages to the selling price is naturally a thing which has to be taken into consideration. But I don't think that so far as steel is concerned, there is any automatic control of wages by the selling price. There is to some extent as far as the blast furnace men are concerned. As I said, on general grounds when a period of agreement expires and the question of renewing it or revising it comes up, the prices are taken into consideration. But I don't think that it is automatic.

Mr. Reith.—It was fairly automatic during the war or even after the war but I think it was not automatic before the war. It may not be so automatic as perhaps I implied. I am not very conversant with that side of it.

No. 92.

Messrs. Anandji Haridas and Company.

Written.

Statement I.—Original representation from Messrs. Anandji Haridas & Co., Calcutta, to the Tariff Board, dated the 6th October 1923.

In considering the question of protection for the Indian industry in iron and steel it is of primary importance that distinction must be made between materials that are manufactured in this country and those that are not manufactured here. Distinction must also be made between the quality of the goods produced in this country and the quality of the bulk of imported iron and steel.

Presumably, the Tata Iron and Steel Company Limited produce materials which also form a greater portion of imported materials in iron and steel. This class of materials consists of rails, bars, angles, tees, joists, channels and plates. The last-named material is produced by Tatas from $\frac{3}{16}''$ thickness and upwards. Thinner plates such as $\frac{1}{8}''$ or $\frac{1}{16}''$ thick are all imported. Tatas manufacture materials according to British Specifications and the quality of their goods strongly resembles the quality of materials of British manufacture. Tatas' prices are almost on the same level as British prices on which Tatas base theirs. Consumers requiring materials for a special purpose readily accept Tatas' in place of British manufactured goods. This is very noticeable in the case of joists. It is quite evident that such consumers will not accept Continental materials as substitutes either for Tatas' or British. Tatas have therefore captured a particular section of the market in this country.

Concession in railway freight enjoyed by Tatas has enabled them to compete successfully against imported materials and almost to their exclusion in certain markets of the country. For the concession in railway freight Tatas' goods hold a complete sway in such markest as Bihar, United Provinces, the Punjab, Central Provinces and the Coromandel Coast. Tatas having in the places mentioned from 12 to 22 per cent. concession in railway freight have practically shut out imported Continental materials. Occasionally when Tatas cannot roll certain sizes for immediate requirements in such places, importing centres such as Bombay or Calcutta then have a chance of selling in those places. Also when the price of the imported article becomes very low on account of favourable exchange coupled with a fall in Continental prices and accumulation of stocks, Bombay or Calcutta gets a chance of competing with Tatas' goods in such places. From the preferential treatment received by Tatas in the matter of railway freight Tatas have been able to hold their own in certain parts of India.

It is only in importing centres such as Bombay or Calcutta Tatas' goods have not found much favour. There is one reason for this which must engage our serious attention. Ordinary consumers always seek the cheapest prices and therefore Continental goods find great favour with them. Continental materials serve the ordinary purposes for which iron and steel are required. The advantage of consumers of Continental materials as regards price can hardly be destroyed.

In this connection it may be noted that Tatas' output as regards bars, angles, tees, channels and joists is not adequate to the demand in the country. From official figures for 1922-23 it may be safely said that Tatas' output is a little over one-third of the quantity imported. Almost two-thirds of the demand of the country for iron and steel is supplied by imported iron and steel.

From the last consideration we are of opinion that the raising of duty to $33\frac{1}{3}$ per cent. as suggested by Tatas would be a very excessive burden on the consumers of Continental materials.

We shall now enumerate the materials which are not produced in this country. Broadly speaking, they are galvanized sheets, both corrugated and plain, galvanized ridging, steel sheets, plates thinner than $\frac{3}{16}$" and steel hoops. All these articles are very largely consumed in this country and some of them are worked into commodities which are of daily use to the people of this country.

Let us take the case of galvanized corrugated sheets. This material is very largely used for roofing purposes. Before the war Calcutta was the biggest market in India for galvanized corrugated sheets. Calcutta used to import over one lac tons a year and the consumption was mainly confined to East Bengal districts where the material was used for the construction of houses and godowns. East Bengal districts are liable to be flooded during the rains. Galvanized corrugated sheets are very convenient for construction of houses and cost considerably less than masonry buildings. Houses constructed with galvanized corrugated sheets have a small masonry foundation and the rest, walls and roofs, is made up of galvanized corrugated sheets. They cannot be washed away by floods. The demand for galvanized corrugated sheets has considerably fallen off as regards East Bengal since the war. The cause is not far to seek. The high price at which this material has been selling since the termination of the war has prevented in a large measure the people in East Bengal from erecting a galvanized corrugated sheets roofing over their houses. East Bengal can buy largely if the price of the material is low. But since the customs duty has been raised from 2½ per cent. to 10 per cent. the Indian price has not reached a low level although if the duty had been maintained at 2½ per cent. the present English price would have enabled East Bengal to buy largely. We are therefore of opinion that if the duty is raised to 33⅓ per cent. without distinction galvanized corrugated sheets and other articles which are not manufactured in this country will be beyond the reach of a large class of buyers. To sum up

(1) We are strongly of opinion that the duty should not be raised to 33⅓ per cent.

(2) We are emphatically opposed to the raising of duty on galvanized corrugated sheets and such other articles which are not manufactured in this country.

(3) In raising the duty proper attention and consideration must be given to the interests of the consumers.

Statement II.—Letter from Messrs. Anandji Haridas & Co., Calcutta, to the Secretary, Tariff Board, Calcutta, No. E-10740, dated 29th October 1923.

With reference to your letter No. 386, dated 9th instant, we beg to submit the following papers for the consideration of the Board :—

(1) A short note showing how the demand is affected by the rise or fall in prices.

(2) A list of freight for iron and steel to some principal stations in case of Tata steel and also for imported steel.

(3) A list of highest and lowest *c.i.f.* sterling prices of imported iron and steel from July 1919 to date.

(4) A list* of recognised extras charged on certain sizes of bars, etc.

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* Not printed.

(1)

(1) The demand for imported black iron and steel does not fall off considerably on account of the rise of price. The demand does diminish for some time after the rise of price but it reappears after some time. So that over a fairly long period say three months, the quantity consumed is about the same at both high and low prices. From the figures given below it will be seen how the local price has been moving with the imported price. The local price could not remain much below the cost price because there was a good demand and the local stocks required to be replenished.

(2) With regard to galvanized corrugated sheets the case is different. There is of course always some demand whether the price is high or low. But the average East Bengal buyer is apt to do without sheets when he finds the price beyond his means. The consumption of galvanized corrugated sheets in 1922 and 1923 has been much greater than what it was in 1921 when the price was high. In 1920 Calcutta imported a large quantity but it was the high rate of exchange which induced importers to buy in large quantities. When the goods actually arrived late in the year the exchange went down but the local price did not go up much. So that the loss of importers was much greater in galvanized corrugated sheets than in other steel materials, although the price of both had fallen and the exchange also was unfavourable for both. The demand fell off so considerably that for more than a year practically nothing was imported from England and the demand was fully supplied from the stocks in the hands of merchants in Calcutta

We give below a comparative list of both rupee and sterling prices for galvanized corrugated sheets and bars in 1919, 1920 and 1921 to illustrate our above statement.

Year.	Material.	Sterling price.	Rupee price.
1919.		Per ton.	Per cwt.
July to December	G. C. Sheets	35 0 0	19 0 0
	M. S. Bars (Continental)	25 0 0	16 0 0
1920.			
January to June	G. C. Sheets	55 0 0	19 8 0
	M. S. Bars (Continental)	31 0 0	16 8 0
July to December	G. C. Sheets	40 0 0	18 8 0
	M. S. Bars (Continental)	18 0 0	14 0 0
1921.			
January to June	G. C. Sheets	26 0 0	20 0 0
	M. S. Bars (Continental)	12 0 0	11 8 0
July to December	G. C. Sheets	21 0 0	17 8 0
	M. S. Bars (Continental)	9 10 0	9 8 0

From the above table you will find that fluctuations of the price of bars have always kept pace with the importing prices but in the case of galvanized corrugated sheets, the fluctuations have been independent of the cost prices.

(2)

Statement showing the difference in railway freight to certain centres between the rate for steel consigned by the Tata Iron and Steel Company and the rate for imported steel.

Rate per Maund	1 for Tata steel from Tatanagar.	2 for imported steel from Calcutta.
to	Rs. A. P.	Rs. A. P.
Ambala Cantonment	0 15 5	2 0 0
Cawnpore	0 14 0	1 6 10
Allahabad Fort	0 14 0	1 2 7
Delhi	0 14 0	1 12 4
Jullundur City	1 3 5	2 4 0
Lahore	1 6 3	2 6 3
Rawalpindi	1 12 6	2 12 6
Muttra Cantonment	1 0 3	1 13 9
Bareilly	0 13 8	1 12 10
Lucknow	0 13 8	1 6 9
Agra City	0 14 0	1 11 9
Patna City	0 7 7	0 12 6

(8)

Statement showing the lowest and highest c.i.f. sterling prices of Continental and British Steel.

Year.	G. C. Sheets, British.	M. S. Bars.	
		British.	Continental.
	£ s. d.	£ s. d.	£ s. d.
1919.			
July to December	31 0 0	22 10 0	20 10 0
	50 0 0	26 10 0	26 0 0
1920.			
January to June	50 0 0	28 10 0	28 10 0
	60 0 0	36 0 0	36 0 0
July to December	53 0 0	34 0 0	32 0 0
	32 0 0	25 0 0	15 0 0
1921.			
January to June	32 0 0	25 0 0	15 0 0
	24 10 0	15 0 0	9 15 0
July to December	25 0 0	15 0 0	10 0 0
	18 15 0	10 10 0	8 15 0
1922.			
January to June	18 2 6	10 15 0	9 0 0
	17 0 0	10 10 0	8 10 0
July to December	16 18 4	10 5 0	7 0 0
	18 17 6	10 0 0	8 10 0
1923.			
January to June	19 2 6	10 15 0	7 10 0
	20 15 0	13 0 0	10 15 0
July only	19 5 0	12 10 0	8 7 6
	18 12 6	12 0 0	8 10 0

Oral evidence of Mr. ANANDJI representing Messrs. Anandji Haridas & Co., recorded at Calcutta on 8th October 1923.

President.—I understand from the summary at the end of your representation that there are two things that you are chiefly concerned with—(1) that you think 33⅓ per cent. is an excessive rate of protection, and (2) that you are particularly anxious that articles which are not produced in India should not have to bear higher import duties. But you do not take the line that you object to a protection for steel altogether?

Mr. Anandji.—No.

President.—But you are naturally anxious that there should be as little interference as possible with the trade in which you are interested both on account of the interest of the buyers and also in the interest of the consumer?

Mr. Anandji.—Yes.

President.—Now, you say the Tata Iron and Steel Company produce rails, bars, angles, tees, joists, channels and plates. As regards these our information is that they have only begun to manufacture plates within the last few months and they have not put a great deal on the market. Is that in accordance with your information?

Mr. Anandji.—Yes.

President.—They have been manufacturing tinplate bars for the Tinplate Company at Jamshedpur and they have not put any portion of that on the market.

Mr. Anandji.—They have got small quantities of ready stock.

President.—Plates, you say, are manufactured by Tatas from $\frac{3}{16}$ of an inch upwards. According to the statement which Tatas supplied us with by next year they will be manufacturing plates down to $\frac{1}{16}$ of an inch. In accordance with trade custom anything thinner than $\frac{1}{8}$ of an inch you consider as sheets?

Mr. Anandji.—Yes.

President.—They will also be manufacturing sheets sometime next year, gauges 10 to 32 which, I think, covers thickness from about $\frac{1}{100}$ of an inch to $\frac{1}{16}$ of an inch.

Mr. Anandji.—So far as I know, other countries in the world cannot produce in one year's time plates $\frac{1}{16}$ to $\frac{1}{100}$ of an inch.

President.—Is it your point that, when there is only one firm manufacturing steel, it is impossible for it to manufacture steel of all shapes and sizes?

Mr. Anandji.—My idea is that, even if there were many concerns in India, they could not in one year's time produce plates of $\frac{1}{100}$ of an inch thickness. It will take some years before the workmen could roll such sheets.

President.—You think they will have to confine themselves to some of the thicker sheets?

Mr. Anandji.—I think so.

President.—Let us take sheets. Are you in a position to say whether the demand in India is mostly for the thicker sheets or the thinner sheets?

Mr. Anandji.—Mostly for the thinner sheets.

President.—For what purposes are they used?

Mr. Anandji.—Galvanized sheets which, I suppose, are included in this, are used for roofing purposes, for making godowns and houses in Eastern Bengal and for other industrial concerns.

President.—What is the usual size of galvanized sheets that they use for houses?

Mr. Anandji.—Mostly 24 gauge.

President.—You have suggested that as galvanized sheet is not produced in India at present no extra duty ought to be imposed upon it. There again the Tata Iron and Steel Company have informed us that before the end of 1925 they will be producing galvanized sheets. They assume that their production of sheets, which will be largely galvanized, will be 36,000 tons a year.

Mr. Anandji.—I think when they produce sheets of $\frac{1}{18}$ thickness or even thinner, up to say 20 gauge, it will be time to consider about galvanized sheets. But it is very hard to pass an opinion now. Trade condition may change in a year's time.

President.—We will make a note of that point and when we examine Tatas again we shall put that point as to the time when they expect to be able to manufacture thinner sheets.

Mr. Anandji.—One point to which I would like to draw your attention is that even in Continental countries manufacturers are not able to roll 24 gauge and thinner sheets of such good quality as the British, so that the quality rolled by them is not much liked in the market and there is very little import of 24 gauge and thinner sheets from the Continent.

President.—Is it your experience that in the case of 24 gauge and thinner sheets the main part of the imports are of British manufacture?

Mr. Anandji.—Yes.

President.—The sheets that are used in Eastern Bengal for roofs are British?

Mr. Anandji.—Almost entirely.

President.—What are the thicker varieties of galvanized sheets used for?

Mr. Anandji.—22 gauge is used for tea gardens mostly and by some engineering works for roofing purposes but the quantity compared to the 24 gauge is very small.

President.—Taking your own figures from your own experience what do you think would be the proportion of total imports of 24 gauge and thinner sheets.

Mr. Anandji.—I think it is about 40 per cent. now in Calcutta.

President.—And that is governed largely by the fact that in Eastern Bengal the material is used for houses and roofs? In a province where that is not the case, the proportion of the imports of the thinner sheets might be small?

Mr. Anandji.—Slightly smaller, I think.

President.—Then, as regards structural materials. Your point is that the steel produced by Tatas compete rather with the steel imported from Great Britain and not with the steel imported from the Continent?

Mr. Anandji.—Yes.

President.—Is it your suggestion that the cheaper qualities of steel which are not so good as the British steel or the Tata steel should be exempted from any increase in the import duty?

Mr. Anandji.—Tatas' goods are supposed to compete with British goods because their quality is based on the British standard steel though to some extent it competes with Continental steel, so that if it is proposed to give protection to Tatas it will be necessary to increase the import duty on Continental steel as well.

President.—You say that owing to concessions in railway freight "Tatas' goods hold a complete sway in such markets as Bihar, United Provinces, the Punjab, Central Provinces and the Coromandel Coast. Tatas having in the places mentioned from 12 to 24 per cent. concession in railway freight have practically shut out Continental materials." I do not fully

understand this. I should have thought that it was rather the British material that would be shut out because, as you have already pointed out, the quality of steel produced by Tatas resembles rather the British steel than the Continental steel. Why is it that the Continental steel will be shut out?

Mr. Anandji.—British steel is not imported by the average importer here. It is imported by engineering firms and those who want special kind of steel. Naturally the average merchant imports only Continental steel and where his goods are shut out it means that it is the Continental steel that is shut out.

President.—The business you do as an importer is mainly in Continental steel?

Mr. Anandji.—Yes.

President.—You sometimes import British steel? What would be the proportion of Continental steel and British steel on the average?

Mr. Anandji.—British steel will be less than one per cent. I am not talking of sheets and other things which are not made by Tatas.

President.—You find that you cannot do business with the provinces you have mentioned where you do not send any imported steel, for instance Bihar or the United Provinces.

Mr. Anandji.—In our statement we have mentioned the circumstances when it is possible to sell imported steel, *e.g.*, when Tatas cannot roll certain sizes or when the price of the imported article becomes very low on account of a favourable exchange coupled with a fall in Continental prices and accumulation of stock.

President.—Would it be possible for you to give us any figures to illustrate the rise and fall in the demand in the places you have mentioned for the kind of steel you import? It is of great importance to us to know how the demand is likely to rise or fall with the rise and fall in prices.

Mr. Anandji.—I do not mean to say that the demand increases but a part of the demand is diverted from Tatas.

President.—Could you take one or two occasions on which there has been a marked fall in the price of steel and consequent increase in the demand for Continental steel?

Mr. Anandji.—I know of two occasions but I do not remember exactly the months in which this occurred.

President.—Could you look up your books and let us know about it?

Mr. Anandji.—Yes, I will do that.*

President.—It will be interesting to know what happens when there is a marked fall in price.

Mr. Anandji.—There are occasions on which there is demand for imported steel and that is when Tatas cannot supply certain sizes. At present, as you know, Tatas do not sell according to the demand of buyers but according to their rolling programme, so that ordinarily when the merchant upcountry requires a certain size which he cannot get, he buys from importing centres in those provinces, or from Calcutta or Bombay.

President.—Who are your principal customers: to what kind of customers do you usually sell your steel? Is it to the contractors or to the bazar trade or what?

Mr. Anandji.—We sell to the contractors, to the bazar trade, and to engineering firms as well as to retail buyers from upcountry.

President.—We are trying to get information about the ordinary bazar trade in steel. Take an upcountry mofussil village; how is it supplied with the steel required for ploughshares, *kodalis* and so on, and any iron that may be locally used? Through which channel does it reach the village?

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* *Vide* Statement No. I.

Mr. Anandji.—A good deal of our upcountry business is done by correspondence. People near important centres like Cawnpur buy from there. Then there are commission agents who send goods upcountry. Sometimes buyers come here to Calcutta when they want in large quantities.

President.—Is it steel bars that are mostly used in that kind of demand?

Mr. Anandji.—Yes, flat bars, square bars and round bars.

President.—Out of these bars all the smaller articles made of steel are manufactured?

Mr. Anandji.—Yes.

President.—I suppose a good deal of manufacture goes on in the village blacksmith's shop for making the smaller things?

Mr. Anandji.—Yes, the bands on the wheels and smaller things are done by him, also the axles for the carts which are made from the thicker rods.

President.—That trade, I take it, right through from the importer down to the consumer is practically in the hands of Indian merchants?

Mr. Anandji.—Entirely.

President.—In the case of this upcountry trade take all the different kinds of steel that are imported and pass through your hands: what articles are most sensitive to an increase or decrease in the price—that is to say, in the case of which articles would the rise in the price be apt to decrease the demand?

Mr. Anandji.—Bars are the most sensitive article; tees, joists, etc., are not so very susceptible to the change of price.

President.—I take it that this means that they are mainly used by the richer class of consumers?

Mr. Anandji.—That is right. When they want to get them, they probably do not wait for a fall in the price and therefore have to pay a higher price for their goods.

President.—But the demand for bars is very sensitive to the movement of price?

Mr. Anandji.—Yes.

President.—Do you think it is more sensitive to the movement of price than galvanized sheets?

Mr. Anandji.—Yes.

President.—So that an increase in the price of bars might mean a reduction in consumption for some time. Of course after a time they might not be able to hold out any longer because they must buy.

Mr. Anandji.—The price of bars varies very much from time to time so that if they wait for some time they probably get it cheaper.

President.—Let me put it to you in another way. Supposing by higher import duties the price of steel were permanently raised, say, for a period of 5 or 6 years, where do you think the reduction of consumption would be most noticeable? Supposing there was an increase of 20 per cent. all round?

Mr. Anandji.—I don't think there will be much reduction in the long run.

President.—It would only be for a few months in the beginning you think?

Mr. Anandji.—Yes.

President.—You think that a 20 per cent. increase in the price would not after a year or so materially reduce the consumption?

Mr. Anandji.—Unless the Continental price went up at the same time.

President.—I am assuming for the moment that there is an increase of 20 per cent. in the price without attributing that to any particular cause.

Of course if you put on a higher import duty and simultaneously the price in the ordinary market rose substantially, that might mean an increase of 50, 60 or even 70 per cent. in the price and that increase must almost certainly reduce the consumption. But if the price increased only by 20 per cent. what then?

Mr. Anandji.—I don't think so. Even now the Continental price has gone up by 20 per cent. over what it was a few months back.

President.—Is it so within the last three or four months?

Mr. Anandji.—A year ago the price was £7 per ton for bars c.i.f. Price began to go up and it went up to about £8-10 about four or five months ago and now it is £9. So that in a year's time it has risen from £7 to £9.

President.—Has the result been to reduce the trade in bars: is it a good deal less than it was last year?

Mr. Anandji.—No; it is about the same. Of course with regard to galvanized sheets, even if Tatas manufactured sheets here, the demand would diminish if prices went up.

President.—That was one point I was particularly anxious to get information about. You think that, supposing the price of galvanized sheets rose by 20 per cent. and stayed up at that level, there would be a reduction in the demand?

Mr. Anandji.—Yes. It will mainly be for the roofing stuff. The Eastern Bengal peasant cannot pay for the galvanized sheets anything over a certain figure. He gets certain price for his jute and out of that he has to buy his food, his household requirements and other things, and he has got a certain amount left to buy sheets. If he cannot buy them within that figure he will have a thatched roof and use mud for his walls.

President.—That is an important point because obviously not only has the Tariff Board or Government to consider what the result of an import duty will be, but also the protected manufacturer will have to consider that because, if he raises the price to the full extent of the protection given and finds he cannot sell his goods, he will have to bring it down again if he wants to sell it.

You say in your representation "It is only in importing centres such as Bombay or Calcutta Tatas' goods have not found much favour". What do you think is the reason for it?

Mr. Anandji.—It is the question of price.

President.—The reason is, I take it, that the imported goods come straight off the ship whereas Tatas' steel has got to come from Jamshedpur?

Mr. Anandji.—Yes, it is the difference in freight.

President.—In upcountry also the consumers will take the imported steel if he can get it at what he regards as the appropriate price?

Mr. Anandji.—Yes.

President.—You have calculated the advantage that Tatas have as regards freight to certain parts of the country as from 12 to 22 per cent. Can you tell us how you worked that out?

Mr. Anandji.—Freight from Calcutta to Ambala is Rs. 54-6-5 per ton for ordinary steel while the freight is Rs. 18-14-0 per ton from Tatanagar to Ambala. It makes about 22 per cent. difference.

President.—I do not quite understand how the difference can be so very great because the information we have up till now is that Tatas get concession rates on the Bengal Nagpur Railway only.

Mr. Anandji.—They get it all over India.

Mr. Mather.—Is this the freight for materials like bars?

Mr. Anandji.—This is for ordinary consumers and not for railways.

President.—We will enquire into this but we have had no information about this hitherto. The contract with the Bengal Nagpur Railway was made as long ago as 1908 or 1909 at the time when the works were started.

The concession rates which they enjoy are not only below post-war rates but also below pre-war rates, but we have had no definite information as to their getting concessions over the East Indian Railway for instance. Have you definite information?

Mr. Anandji.—Yes, I am quite sure about the information.

President.—We will enquire into that.

Mr. Anandji.—Otherwise it would not be possible to sell Tatas' goods in those places.

President.—What do you mean?

Mr. Anandji.—The difference between the price of Tatas' goods and Continental goods is such that the Tata Company will not be able to compete in those markets. Now practically they control those markets. I believe that in the representation sent to the Board from Bombay this statement is made.

President.—There is nothing so definite as that.

Mr. Anandji.—But the hint is there.

President.—Are you thinking of the representation from the Iron Merchants' Association which came in about two months ago? I do remember the letter but I don't remember any statement so definite. They were rather thinking of it the other way, that if the import duty were raised to a considerable extent, the Tata Company would not be able to compete in Bombay owing to the fact that the railway freight would be very heavy. The Bombay consumer would have to pay a higher duty and not be able to get any benefit. That is the point they raised.

Mr. Anandji.—That was also a point, and this was one of the points. For Delhi the ordinary freight is Rs. 48-1-1 per ton while for Tatas the freight is Rs. 16-7-5.

President.—Well, I think that perhaps if you could let us have a statement * of comparative freights to the various places which you have worked out, it would save a little time. Instead of mentioning them all just now if you send that in a note, it would be convenient and it would be the easiest way.

Mr. Anandji.—Yes.

President.—You have said in your statement "In this connection it may be noted that Tatas' output as regards bars, angles, tees, channels and joists is not adequate to the demand in the country." Of course on the outturn they have been able to produce hitherto, there is no doubt about that at all. It is only a small proportion of the demand of the country. At present the output of Tatas is 1,30,000 tons, about half of which has been rails, so it is only just about 65,000 left for anything else. But when the Greater Extensions come into operation, they expect to produce 4,00,000 tons a year, and the proportion of rails to the total will be a good deal smaller, so that by that time they would be producing a fair proportion of the total demand of the country. You know that the object of protection is to encourage the development of industries and in this case what the Tata Iron and Steel Company propose is 33⅓ per cent. on the ground that that rate of protection is necessary if steel is to be manufactured at all. That is what they claim. Supposing that the Board after enquiry were of opinion that the claim was well-founded and that it was necessary to protect to that extent in order that the manufacture of steel might go on, what do you suggest the proper course would be to pursue? You say that a duty of 33⅓ per cent. would be an excessive burden on the consumer.

Mr. Anandji.—I think that the duty should not be raised all at once to 33⅓ per cent.

President.—I am putting to you a hypothetical case. Supposing the Board came to the opinion that it was necessary and that nothing less would do.

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* *Vide* Statement No. II.

Mr. Anandji.—Then the duty should be raised as production increased.

President.—But supposing that we apprehended that if the duty was not raised to the full extent, production would cease?

Mr. Anandji.—Well, in that case protection must be given.

President.—I was wondering whether you have any alternative suggestion to make as to the method of protection.

Mr. Anandji.—Well, I have read the other suggestion made with regard to subsidising Tatas, but I am of opinion that the best course would be to increase the duty.

President.—That is your opinion.

Mr. Anandji.—Yes.

President.—You are not in favour of bounties or subsidies.

Mr. Anandji.—No.

President.—Will you please tell us the reason—we want to get as many opinions as possible—why you think that bounties or subsidies are inadvisable?

Mr. Anandji.—Then the money will have to come from the Imperial Exchequer, and they will have to raise this money by fresh taxation. That would be a great hardship because every one would have to bear the burden irrespective of the fact whether he consumes steel or not, but in the other case the burden will fall only on consumers of steel.

President.—That is to say, you think that it is more advisable that the cost of protection should be borne by the consumers of steel, rather than by the tax-payers generally.

Mr. Anandji.—Yes.

President.—I see your point.

Mr. Anandji.—The average consumer of steel is a little richer than the average tax-payer in the country so that he can better bear the burden.

President.—Supposing that the imposition of a higher import duty increased railway expenditure to such an extent that they had to put up rates and fares, that would affect a very large number of people.

Mr. Anandji.—I don't think that the burden would fall as heavily as it would if subsidies were given direct from the revenues of the Imperial Government.

President.—Have you considered the possibility of combining the two? That is to say if the import duties were raised, quite apart from protection, and the balance given in the form of bounties, the rates being so arranged that the additional money received from the customs revenue would cover the expenditure on bounties, what would be your view?

Mr. Anandji.—I think that that would be a better course. If the tax-payers don't have to pay and if the money came from the increased revenues, then it would be better to give bounties out of the increased income.

President.—Can you give us the figures for the importation of galvanized sheets before the war? You have said over a lakh of tons. Do you happen to remember the exact figures? If you don't, you can give them to us later on.

Mr. Anandji.—I think that it was about 1,20,000 tons for Calcutta and the total for India was 2,50,000 tons.

Mr. Mather.—The total for India in 1913-14 was 2,80,000 tons for galvanized sheets.

President.—So that the present consumption is only about half the pre-war consumption.

Mr. Anandji.—Yes, Bombay is taking more than half and Calcutta less than half.

President.—Well now since the customs duty has been raised from 2½ per cent. to 10 per cent., the Indian price has not reached a low level. Even

if the duty had been maintained at 2½ per cent., the present price would not enable East Bengal to buy largely, because the reduction of the duty from 10 per cent. to 2½ per cent. would only mean a reduction in the price of about 7 per cent.

Mr. Anandji.—Yes.

President.—Can you give us the pre-war price of galvanized sheets and the price to-day?

Mr. Anandji.—The pre-war price was about Rs. 8 per cwt. and to-day it is between Rs. 16 and 17.

President.—That is about 100 per cent. higher.

Mr. Anandji.—Yes.

President.—If the duty were reduced from 10 per cent. to 2½ per cent. that would not make a difference of more than a rupee per cwt. at the outset.

Mr. Anandji.—Yes.

President.—Would that be sufficient to make the difference?

Mr. Anandji.—The fall of a rupee in the price per cwt. would not bring that demand which there was before the war, but it would still increase the demand.

President.—It would certainly tend to increase the demand, but would it make very much difference?

Mr. Anandji.—I think that it would make a certain difference.

President.—Then there is another point. Galvanized sheet is not produced in India at present and therefore the British manufacturer or the Continental manufacturer may compete against each other but they are not competing against anybody in India.

Mr. Anandji.—Yes.

President.—Do you think that it is possible when the manufacture of galvanized sheets is commenced by Tatas, the foreign manufacturers would be able to reduce their prices so as to meet this competition?

Mr. Anandji.—Great Britain will be able to hold its own against Tatas.

President.—But the point I am making is this, that if the present price at which they were selling galvanized sheets is a little above what they could sell, the moment competition starts in India, they would bring down their prices and consequently the price would not increase to the full extent of the import duty imposed. It would be something less. What do you think about that?

Mr. Anandji.—It is possible that they might reduce their prices in England.

President.—My main reason for suggesting that to you is this. Taking iron and steel, the average present day prices are not 100 per cent. over pre-war prices but a good deal less and therefore if one finds in the case of certain kinds of steel the price has gone up by 100 per cent., one wonders whether perhaps there is not room for farther reduction.

Mr. Anandji.—I think that they could reduce their prices. The reason why the price of galvanized sheets has not fallen as much as the price of other steel goods is that England is practically the sole supplier.

President.—Of the thinner kinds?

Mr. Anandji.—All corrugated sheets.

President.—I want to know whether it applies only to the thinner kind or whether it applies to both thinner and thicker kinds.

Mr. Anandji.—All kinds of galvanized sheets.

President.—In that case, they have, so to speak, the monopoly of the market and they might reduce their prices.

Mr. Anandji.—The price did go down to £17 last year and then it went up again to £20.

President.—It has gone up again this year?

Mr. Anandji.—Yes.

President.—You have said "We are emphatically opposed to the raising of duty on galvanized and corrugated sheets and such other articles which are not manufactured in this country." Of course if the Tata Iron and Steel Company could not manufacture a particular kind of steel which can be definitely specified, or at any rate, if no one in India proposed to manufacture a particular kind of steel, I don't suppose that anybody would want to protect it. But with regard to the instance you have given, though galvanized and corrugated sheet is not yet manufactured by the Tata Company, it may be manufactured by them in less than a year—possibly by July they may have started to manufacture. Now the question is whether you can exclude articles which the Tata Company are just about to begin manufacturing and for which they have made all arrangements. Is it your suggestion that the Board should endeavour to limit the protection to those sizes and shapes that the company are likely to manufacture on a considerable scale excluding those which they are not likely to manufacture in an appreciable quantity?

Mr. Anandji.—When Tatas have rolled plates of $\frac{3}{16}''$ thickness, it is likely that they may soon be able to roll sheets of $\frac{1}{8}''$ thickness. But there is a great difference between 24 gauge sheets and those of $\frac{1}{16}''$ thickness. It will I think take a long time for them. If they say that they are going to roll in one year 24 gauge sheets, I think that it is very doubtful. So, you should not raise the duty on 24 gauge sheets now. After Tatas have rolled them, you may raise the duty or at least when the Tatas have come to 20 gauge sheets it will be time enough to raise the duty on 24 gauge sheets. At present they are only rolling $\frac{3}{16}''$ sheets and it may take years to come to 24 gauge sheets. Particularly the rolling of galvanized sheets is a thing of which England has got such control that even the Continent cannot compete with it and America too. England has practically the monopoly of supply. I think that Tatas will take a long time before they can roll 24 gauge sheets.

President.—I see. I think I understand now what your suggestion is about that. But I am anxious to get your opinion on the general point. There are various classes of materials as well as sheets. There are bars, beams, channels, joists and so on. Is it your suggestion that the Board should endeavour to limit the protection to those particular sizes and shapes that the company are likely to produce in large quantities?

Mr. Anandji.—Yes.

President.—Excluding those which are not likely to be manufactured in this country?

Mr. Anandji.—Yes. If the Tata Company are making experiments in certain things, the consumers should only be burdened after they have succeeded and not before.

Mr. Ginwala.—We have received two or three different representations. You first put in your representation on your own behalf.

Mr. Anandji.—Yes.

Mr. Ginwala.—And then there is a representation by the Indian merchants in the Iron and Steel trade which you have also signed.

Mr. Anandji.—We have not signed that.

President.—I don't find their signature on it.

Mr. Ginwala.—I am sorry. Is there any association of Indian merchants engaged in iron and steel trade?

Mr. Anandji.—Yes.

Mr. Ginwala.—What is the name of the Association?

Mr. Anandji.—Calcutta Iron Merchants' Association.

Mr. Ginwala.—That is purely Indian.

Mr. Anandji.—Yes.

Mr. Ginwala.—Your firm is a member of that Association.

Mr. Anandji.—Yes.

Mr. Ginwala.—And then we have received another representation from dealers in iron and steel. That is signed by Messrs. I. B. Dutt & Co.

Mr. Anandji.—Might be.

Mr. Ginwala.—There are 31 signatures on that. Have you put your signature too?

Mr. Anandji.—No.

Mr. Ginwala.—Do they all belong to the Association? How many members are there?

Mr. Anandji.—I don't know.

Mr. Ginwala.—Is it a registered Association?

Mr. Anandji.—So far as I know, it is not registered. It is a body which does practically nothing. I don't remember to have attended even one meeting of the Association.

Mr. Ginwala.—Is the gentleman to your left representing any of these bodies?

Mr. Anandji.—He is the manager of my firm.

Mr. Ginwala.—I was trying to know who is giving evidence on whose behalf. How long is your firm doing this business?

Mr. Anandji.—About five years.

Mr. Ginwala.—And do you do business on a fairly large scale?

Mr. Anandji.—Yes.

Mr. Ginwala.—Now I would like you to give us some figures. We are at present interested only in those articles which are manufactured in India or are soon likely to be manufactured. At present the Tata Co. are the only people who manufacture steel in this country. We confine our attention only to those kinds of steel which are or are soon likely to be manufactured by Tatas and I would like you to give us the prices of some typical articles * —c.i.f. prices—imported by you from Great Britain and from the Continent. Can you give us these figures for say five years?

Mr. Anandji.—Yes, we can give you.

Mr. Ginwala.—I would like you to give us the lowest price for the year and the highest price for the year at which you imported in each case?

Mr. Anandji.—Yes.

Mr. Ginwala.—You take such articles as bars, channels, etc.

Mr. Anandji.—We don't import channels.

Mr. Ginwala.—What are the principal articles which you import?

Mr. Anandji.—Galvanized sheets, black sheets, bars, angles, tees, plates, rods, and joists.

Mr. Ginwala.—Do you import both from the United Kingdom and from the Continent?

Mr. Anandji.—Yes.

Mr. Ginwala.—Then would you kindly give us your c.i.f. prices, excluding the duty and other landing charges, for these articles?

Mr. Anandji.—You want them in rupee prices?

Mr. Ginwala.—Yes.

Mr. Anandji.—I shall give you.

Mr. Ginwala.—If you have got sterling quotation, you can also give them.

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* *Vide* Statement No. III.

Mr. Anandji.—On what basis are we to calculate the rupee prices?

Mr. Ginwala.—You pay in rupees, is it not?

Mr. Anandji.—Yes.

Mr. Ginwala.—Are not both rupee and sterling prices quoted in the invoices in the case of goods bought from the United Kingdom and in the case of Continental goods are not franc and rupee prices quoted?

Mr. Anandji.—We buy the Continental goods also in sterling.

Mr. Ginwala.—And then you have to convert the sterling prices into rupee prices.

Mr. Anandji.—Yes, the rate of exchange fluctuates so very much.

Mr. Ginwala.—You have your accounts in rupee prices.

Mr. Anandji.—Yes.

Mr. Ginwala.—Give us rupee prices.

Mr. Anandji.—Yes. But during the last five years the fluctuations in exchange had been so very great that the best course would be to take the sterling prices.

Mr. Ginwala.—Then take the sterling prices for five years for the goods both from the Continent and the United Kingdom.

Mr. Anandji.—Yes.

President.—Is it worth while going further back than three years in view of the fact that conditions were so very abnormal in 1919-20? If you want, you can have them.

Mr. Anandji.—In one year the price of galvanized sheets varied from £60 to £30 per ton.

Mr. Ginwala.—I would rather like to have them.

Mr. Anandji.—All right.

Mr. Ginwala.—As an Indian, how do you look upon the protection of steel industry? Do you consider it of sufficient national importance to be protected at all reasonable cost?

Mr. Anandji.—I should think so.

Mr. Ginwala.—Even though you may be affected by this, you are prepared to pay the price of protection on the ground that it is a national industry.

Mr. Anandji.—Yes. It is not likely that we middlemen should be affected for long.

Mr. Ginwala.—Probably you will get the Tatas' agency.

Mr. Anandji.—As a matter of fact, our Bombay office were the sole agents for Tatas during the war, but this is apart from that.

Mr. Ginwala.—Apart from that, as an Indian, you say, you would be prepared to pay the price of protection.

Mr. Anandji.—Yes.

Mr. Ginwala.—Do I understand you aright when I think that the competition from the Continent is chiefly in such things as bars and joists?

Mr. Anandji.—Yes.

Mr. Ginwala.—These are the main items where the competition is strongest.

Mr. Anandji.—Yes.

Mr. Ginwala.—Do you regard the competition from the Continent as unfair?

Mr. Anandji.—I don't see any unfairness about that.

Mr. Ginwala.—Have you studied the prices? Do you consider that the Continental manufacturers are selling their goods at prices which are reasonably above their cost of production? Has it struck you that they might be dumping their goods in this country?

Mr. Anandji.—If by dumping you mean selling it below cost price I do not think they do it. Take the case six months ago. The British price was £10. Tatas' price was Rs. 8/4 a cwt. and the Continental price at that time was about £7/10 a ton which comes to about Rs. 6 a cwt. If they wanted to sell at a loss they would not sell it far below the cost price—they might sell at 0-4-0 less. They would not sell at Rs. 2 below their price. I think the exchange gives them the advantage. At one time I have seen an invoice for £3 a ton for bars from Germany. This comes to about Rs. 3 a cwt. I think this advantage is due to exchange conditions.

Mr. Ginwala.—You just now gave an instance where there was a fluctuation of £2. The c.i f. price was £7 a year ago and it is now £9. Do you attribute that to the increase in the cost of production?

Mr. Anandji.—When the Continental exchange began to be depreciated the price level could not be adjusted immediately so that those who had contracts were benefited. Besides there is trouble in Ruhr which is one of the principal sources of supply from Germany. There is scarcity of coal in the Continent now.

Mr. Ginwala.—That is one important factor. If competition becomes even keener than in the past would competition come rather from the Continent than from England? For that reason in any scheme of protection would you suggest that the Continent should be specially dealt with? It may be due to fluctuation in exchange; it may be due to the release stocks of materials when the Ruhr question is settled.

Mr. Anandji.—Of course any form of protection would affect mostly the Continental goods.

Mr. Ginwala.—My point is this. So far as these particular articles are concerned the competition is more from the Continent than from the United Kingdom.

Mr. Anandji.—Yes.

Mr. Ginwala.—Do you import any pig iron?

Mr. Anandji.—No.

Mr. Ginwala.—Where did you get the information about the various concessions which you say Tatas have got in the matter of railway freight?

Mr. Anandji.—I got it from the railways themselves.

Mr. Ginwala.—That applies to all railway systems?

Mr. Anandji.—I do not know what arrangements they have got and with whom.

Mr. Ginwala.—When did you get this information?

Mr. Anandji.—Four or five months ago. Mr. Ghosh, our manager, went and saw the Rates Superintendent, Bengal Nagpur Railway, about it.

Mr. Ginwala.—Is it your information that they get the concession by arrangement with the foreign railways.

Mr. Anandji.—It may be; but I do not know.

Mr. Ginwala.—They may make a bill in that way but when the bill is settled Tatas may have to pay the difference to the other railways.

Mr. Anandji.—They sell at a certain price: there is nothing extra to be paid.

Mr. Ginwala.—This is rather an important point. It is one of the difficulties of the question that even if Tatas get protection foreign steel may be imported in those ports of India which are too far from Tatas. Take Karachi for instance: Tatas' own case is that the freight to Karachi is three times as much from Tatanagar as from some English ports to Karachi.

Mr. Anandji.—That is why they cannot compete in Bombay with the imported articles. That is why the merchants in Bombay said that even if the duties were raised the Tatas would not be able to sell in Bombay. They have freight concessions I think all over India.

Mr. Ginwala.—Do they include Karachi? Any how you have promised us a note on this point. It seriously affects the question.

Mr. Anandji.—Yes. We shall send it to you. With this concession of freight they get 35 per cent. protection in certain parts of India.

Mr. Ginwala.—I take it that most of the steel imported by you is consumed in Calcutta. Does it travel a very long distance by rail?

Mr. Anandji.—It goes as far as Cawnpore and sometimes further up when the price is cheap.

President.—In the statement put in by Tatas they say that they had to pay Rs. 15/14 from Tatanagar to Bombay.

Mr. Ginwala.—Please take typical instances in this statement and compare ordinary rates and the Tatas' rates. They pay Rs. 45 freight to Karachi. Apparently they get no concession.

Mr. Anandji.—No. The ordinary rate should be a good deal more than that as the freight to Delhi is about Rs. 54.

The ordinary freight to Lahore is Rs. 65 but for Tatas it is Rs. 38. I think steel will go to Karachi *viâ* Delhi.

President.—We are much indebted to you for the very important point to which you have drawn the Board's attention.

Mr. Ginwala.—You appear to be under the impression that Tatas want protection for all steel imported into this country. That is why I think you have made this statement.

Mr. Anandji.—I have made the statement just to draw the attention of the Board to the fact that if duty is raised it should not be raised in the case of all things which are classed as steel and iron now.

Mr. Ginwala.—As far as I understand Tatas' case, this is not their request. They do not want 33⅓ per cent. duty on all steel that is imported irrespective of whether they manufacture it or not: they want protection only on those kinds of steel that they manufacture. Have you any serious objection to that?

Mr. Anandji.—We have no objection to that.

Mr. Ginwala.—Who are the other principal iron and steel merchants in Calcutta?

Mr. Anandji.—Big importers of galvanised sheets are Messrs. Joharmull Gambirmull and Messrs. Charanmall Sivamal. Black iron is imported by a number of people, but there are no big importers.

Mr. Ginwala.—You are one of the big importers.

Mr. Anandji.—Yes.

Mr. Ginwala.—The suggestion has been made to us by some of these firms that fabricated structural steel should be protected, that is to say apart from protecting Tatas' steel. What is your opinion on that point? Certain kinds of unfabricated steel are produced in this country and they convert them into fabricated steel. Fabricated steel is also imported into this country to a large extent. They say that apart from any protection of unfabricated steel they are not able to compete against foreign manufacturers of fabricated steel and want an additional duty on fabricated steel. Supposing that their case is as good as Tatas would you have any objection to their being given protection in order to enable them to compete against foreign fabricated steel?

Mr. Anandji.—If you raise the duty on raw steel and if you do not raise the duty on fabricated material, fabricated steel will be imported instead of being turned out here.

Mr. Ginwala.—Fabricated steel is imported as well as raw steel. Supposing you put a duty on unfabricated steel of course the cost of their raw material will go up. But even if no duty is placed on unfabricated steel their case is that they cannot fabricate steel in this country which can compete against imported fabricated steel.

Mr. Anandji.—That duty will not affect the ordinary consumer in this country. It will only affect mills and big engineering works or railways. Indirectly it will affect the public to a small degree but directly only the better classes.

Mr. Ginwala.—Looking at it from the national point of view do you think that fabricated steel also should get protection?

Mr. Anandji.—Yes. I think so.

Mr. Ginwala.—Do you import any castings?

Mr. Anandji.—No.

Mr. Kale.—Will you tell me who are your principal customers? I did not quite follow the answer that you gave the President. Are they any big engineering firms or are the goods purchased for domestic purposes or for industries?

Mr. Anandji.—We sell to all these classes. Of course bazaar merchants form the principal part of our customers but we sell to all these—engineering firms, bazaar people, upcountry commission agents and other people like these.

Mr. Kale.—Do you sell from stocks or do you import to order?

Mr. Anandji.—We do both.

Mr. Kale.—Are large orders placed with you or do you always anticipate the demand in the country and keep large stocks?

Mr. Anandji.—We get large orders for galvanised sheets.

Mr. Kale.—You say there is a large demand for galvanised sheets in Eastern Bengal. I should like to know what classes of people in Eastern Bengal use these sheets. Is it the cultivating class or the manufacturing class?

Mr. Anandji.—No. It is the ordinary agriculturists.

Mr. Kale.—They use these sheets for their huts?

Mr. Anandji.—As well as for their godowns. The richer agriculturists get their godowns built of galvanised sheets as the districts get flooded during the rains.

Mr. Kale.—What would be the increase in the price of corrugated iron sheets if the duty were increased by say 15 per cent. or 10 per cent. per cwt?

Mr. Anandji.—The increase would not be as much as the rise in the duty. It will be a little loss on the people as some of the burden will fall on the exporters from the United Kingdom.

Mr. Kale.—Do you think that the consuming classes would be affected by that increase? Do you expect that their consumption will be reduced?

Mr. Anandji.—Yes. It will be reduced.

Mr. Kale.—Suppose the cost of erecting a hut is Rs. 100 and on account of this increase in price which is due to the increase in the import duty the price of that hut goes up to Rs. 125. Do you think that the consumption will be reduced even if there is an increase of 25 per cent.?

Mr. Anandji.—Yes.

Mr. Kale.—What will they substitute?

Mr. Anandji.—They will have thatched houses: they may have mud wall.

Mr. Kale.—But you spoke of the disadvantages of these thatched roofs and mud walls. Do you think that the increase in price will be so prohibitive that they will rather suffer the disadvantages of a thatched roof rather than pay a little more for these galvanised sheets?

Mr. Anandji.—There is also a sentiment in demand. During the war when the prices went up to Rs. 32 in Calcutta they removed the sheets from the houses and despatched them to Calcutta for being sold. They will wait for one year even before they buy. The price is very sensitive.

Mr. Kale.—Would you rather like that if protection is given to the manufacture of steel in India it should be such as would not unnecessarily restrict

the consumption and it should be so regulated that it should give just the amount of protection that is needed?

Mr. Anandji.—Yes.

Mr. Kale.—If for instance the Board recommends that instead of 33⅓ per cent. 25 or 22 or 20 per cent. would be quite enough to keep the industry going, then do you think that the amount of protection will not be so justifiable as the 33⅓ per cent.?

Mr. Anandji.—Yes. My idea is that even if it is found necessary to raise the duty it should not be raised all at once. They might try for one year. In the meantime the Continental prices may go up and will lead to an increase in the price of the material in England. At the same time Tatas may be able to effect certain economies in their own management so that it will not be necessary to increase the duty as much as it may now seem necessary.

Mr. Kale.—Suppose you raise the duty by 10 per cent. There will then be the disadvantage of an increase in duty and at the same time the Tatas may not get what they want. That is the risk. Suppose instead of 33⅓ per cent. you put on an additional ten per cent. while an increase of 15 per cent. seems to be necessary, what is the result? The result is that the steel industry does not get the protection it wants and at the same time there is a burden imposed on the country. So that protection becomes futile and at the same time it is burdensome. That is the difficulty in the way of the proposal that you have made.

Mr. Anandji.—From the reports of the oral evidence of Mr. Peterson it seems to me that they are not making an actual loss now. They are not making enough on their capital but they are not making a loss so that even if the duty were raised by 10 per cent. for a year they would not get full return on their capital but they would get a return. If in the meantime the Continental price goes up they will get an increase of profit.

Mr. Kale.—Suppose the firm does not get any benefit for three years. There is no loss but there is no gain. They are not able to give a dividend to shareholders. Do you think that an industry can go on in that way?

Mr. Anandji.—It could not go on indefinitely like that but it can go on for a certain time.

Mr. Kale.—That is rather a kind of gambling in Continental prices. What we are considering is the urgent necessity of giving protection to what is represented to us to be a struggling industry. Can we afford to take risks and give a little protection in the expectation that prices will rise on the Continent? Suppose they do not rise for the next three years. Then the protection granted would be futile and the industry cannot run on. What have you got to say to this?

Mr. Anandji.—I think the Board should put in proposals so that the duty may be raised next year by 10 per cent. If it is found that Tatas cannot get on then it may be raised to 15 per cent.

Mr. Kale.—Do I understand you correctly when I say that the amount of protection should be just enough to enable the steel industry to go on for the first one or two years and in the meantime we should wait for the prices in Europe to go up. If the prices go up it would not be necessary to increase the protection but if the prices failed to go up then some further protection should be given?

Mr. Anandji.—Yes.

Mr. Kale.—I have pointed out the difficulty. Suppose your expectations do not come out to be true. Then will you expect the Government to revise its decision next year?

Mr. Anandji.—Yes. They should revise it according to circumstances.

Mr. Kale.—So that to begin with you think that a very small amount of protection should be given and if it is found to be inadequate it should be revised?

Mr. Anandji.—Yes.

Mr. Kale.—So in your representation you do not take your stand upon your interest as a dealer merely?

Mr. Anandji.—No.

Mr. Kale.—Because you seem to suggest that the trade will be able to adjust itself to the changed conditions. You would rather wish that an indigenous industry should be enabled to flourish in India.

Mr. Anandji.—Yes. We are paying 20 to 25 per cent. more than what we used to pay for Continental steel.

Mr. Kale.—So you think that an adjustment will take place?

Mr. Anandji.—Yes.

Mr. Mather.—Do you sell much of Tata's steel?

Mr. Anandji.—Very little.

Mr. Mather.—Do you find in the bazar that Tatas' steel has a good reputation for quality?

Mr. Anandji.—Yes.

Mr. Mather.—Do you find that applies also to Tatas' bazar quality?

Mr. Anandji.—On the score of price it does not compete with Continental steel. There is no one in the bazar, I think, who sells Tatas' steel as second class. They are all sold as one quality.

Mr. Mather.—How do you ascertain the Continental price? Do you depend on quotations in trade papers or do you get it from London merchants or Continental merchants, or do you deal direct with the Continental manufacturers?

Mr. Anandji.—We get quotations from London merchants and from Continental firms, the proprietor of one of which is connected with certain Belgian works too.

Mr. Mather.—You seem to think that it may take Tatas a long time to enable them to make sheets successfully?

Mr. Anandji.—Yes.

Mr. Mather.—Why do you think that? The Tinplate Co., for instance, are rolling sheets from Tata's steel very successfully which are quite as thin as are required for galvanized sheets.

Mr. Anandji.—I have no idea of what the Tinplate Co. are doing. I say this from the fact that the Continent cannot compete with Great Britain even now in these goods. England buys sheet bars from the Continent, rolls them and exports them to India.

Mr. Mather.—Probably Tatas' policy is to bring out English sheet rollers; in that case you would not particularly anticipate any difficulty?

Mr. Anandji.—I think there will be some difficulty in close annealing sheets. I am not an expert myself, but from what I have heard about this I am inclined to think that the close annealing process requires both great heat and great cold, so that in the climate of Tatanagar it is difficult to manufacture them.

Mr. Mather.—I want to point out that the Tinplate Co. are rolling as thin sheets as the galvanized sheets and they have had no difficulty in doing that. If Tatas bring out European rollers who have had experience, there does not seem any reason to anticipate that they will take a long time to make sheets successfully.

President.—We will do our best to investigate this point. Do you do any business in steel scrap?

Mr. Anandji.—No.

President.—You said that from what Mr. Peterson had said that although during last year's working the profit was very small indeed there was no actual loss. Supposing on examining the matter you found that there had

been a heavy loss in the manufacture of steel balanced by a profit on the manufacture of pig iron will not that make a good deal of difference?

Mr. Anandji.—On the whole they had not made a loss.

President.—Why should they make steel if they can make a profit by making pig iron?

Mr. Anandji.—They have got the hope before them that Government will help them. They may not help immediately but perhaps if they cannot go on next year they will help them.

President.—However, it does make a difference, does it not, that if there is an actual loss in the manufacture of steel, that indicates that the need for protection is greater than you are inclined to think?

Mr. Anandji.—That will be the case.

President.—It is not after all a question of a single firm. If protection is to do any good it must encourage other firms to enter into the manufacture of steel. You will agree, wouldn't you, that so long as the manufacture of steel is in the hands of a single firm we have not gone very far. We have not attained the object which it is sought to obtain until there are other firms to manufacture steel?

Mr. Anandji.—Yes.

Mr. Kale.—If, as you say, Tatas did not make any profit but did not also make any loss, will that induce other people to put capital into the steel industry? If there is no profit in an industry, can you tell me as a business man whether any man will care to put money into this industry?

Mr. Anandji.—I am inclined to think that as Tatas were the pioneers in the field, they had got to invest more capital than would be necessary if others were to come in. They would not have to invest so much or incur so much waste as Tatas had to incur, and moreover they will benefit by the experience of Tatas at the same time. Their plate mills were ordered just after the armistice and they had to pay a very high price.

Mr. Kale.—I quite appreciate what you say, but you will agree that in the case of a new concern which wants to run a steel industry a reasonable amount of profit will have to be secured and then only will people be encouraged to put their money into it, so that the Board will have to consider what should be the conditions with regard to price and protection which will induce people to put their money into new steel works. Apart from the case of Tatas what is the amount of a reasonable profit that must be earned by new steel works?

Mr. Anandji.—That point requires consideration.

Mr. Mather.—May I ask one more question? When you send in the prices asked for would you mind telling us what the recognized list of extras is for the various kinds of articles you buy. Take angles, for instance; you get quotations at the basic price that you know, but there are small angles and you have to pay a certain amount per ton extras. I suppose you have a list of extras.

Mr. Anandji.—Extras vary considerably with different works as well as in different countries. I can send you a list of one of the Continental works* extras.

* *Vide* Statement No. IV.

No. 93.

Messrs. Turner, Morrison & Co., Ltd.

Written.

NOTE.—*Statements I and II are letters addressed to the Bengal Chamber of Commerce in response to the Chamber's Circular No. 365, dated the 14th September 1923. These letters were forwarded to the Tariff Board under cover of the Bengal Chamber's letter, dated 30th October 1923.*

Statement I.—Letter, dated 18th September 1923, from Messrs. Turner, Morrison & Co., Ltd., Managing Agents, Lodna Colliery Company (1920), Ltd., to the Bengal Chamber of Commerce.

We are in receipt of your Circular No. 365-1923 of the 14th instant.

On behalf of our collieries, we beg to lodge a strong protest against the extension of protection to the Indian steel industry. The main idea of the recommendations of the Fiscal Committee was to adjust the Fiscal System of the country, so as to foster the development of industries. Any extension of protection which will increase the present high cost of raising coal is bound, so far from fostering the development of industries, to affect them adversely, and we respectfully contend that, if protection is granted to the Indian steel industry, the cost of coal must automatically rise.

The Indian steel industry is incapable at the present moment of meeting India's demands, and we see no prospect, at any reasonable period if ever, of their being able to do so. If protection is granted, collieries will have to pay increased rates for their steel requirements, and it is common knowledge that such requirements, in a normal sized colliery, amount in the year to a large sum of money and it naturally follows that in developing a new property, the expense will be correspondingly greater. Even to-day it is held that the present price of good coal is such that it is hindering the development of industries. Coal is practically the keynote of all industries and we feel, therefore, that every effort ought to be made to avoid extending protection to any industry which is bound to cause increase in its price, and we, therefore, urge that the present question of extending protection to the Indian steel industry should be strongly opposed.

Statement II.—Letter, dated 19th September 1923, from Messrs. Turner, Morrison & Co., Ltd., Managing Agents, Shalimar Works, Ltd.

With reference to your Circular No. 365-1923, dated 14th September 1923.

We are strongly opposed to protection in the form of increased duties on imported steel. We depend on steel to a large extent for our manufacturing and industrial processes and we are not assured that we can depend on local industries for satisfactory supply and delivery and are of opinion that any increase in cost would seriously injure our interests, unless engineering industries depending on fabricated steel were similarly protected, as at least 50 per cent. of the operations of this Company would be affected. We think, moreover, that an increased duty on imported steel will not result in a net economic advantage to the country. We may say that practically all our production is consumed in India.

The problem of keeping alive the steel industry in India may be a difficult one but the case of Tatas should not be taken separately from other industries using steel. Further are Tatas struggling for existence or are

they merely suffering from the general trade depression which is most acute in the Engineering trade, and would any extra amount received in price from protection be regarded as an addition to the dividend capacity of the recipient, rendered necessary by over capitalisation or would it be used for the improvement of methods of production which is the only ultimate guarantee of the permanent preservation of the industry?

The present great need for retrenchment and economy in all channels of expenditure should not be overlooked but if it is decided on National grounds that the steel industry should be protected, such protection, should, in our opinion, be in the form of bounties, rather than import duties, which would tend to increase rather than to restrict consumption. In this case Engineering industries should also be protected to the same extent.

Statement III.—Statement showing cost of manufacture per ton, 1917—1923.

LODNA COLLIERY CO., LTD.—BYE-PRODUCT COKE PLANT.

—	August 1917.	August 1918.	August 1919.	August 1920.	August 1922.	August 1923.
Lodna Coal	1 13 4·0	1 4 4·0	..	1 12 5·0	3 12 1·0	5 7 10·0
Lodna Slack	2 1 10·0	2 3 0·0	2 11 4·8	2 0 0·0	1 9 7·0	2 10 9·0
Madhuban Coal	..	..	..	..	4 4 6·0	2 2 9·0
Cost of breaking	..	..	..	..	0 4 3·5	0 2 2·0
Fuel handling and Tramming	0 14 7·0	0 7 6·8	0 6 5·5	0 13 1·4	0 9 5·0	0 10 0·3
Haulage Stores	..	..	0 3 9·9	0 5 4·9	0 0 7·8	0 0 6·5
Haulage Up-keep	..	..	0 0 8·3	0 0 11·1	0 0 7·4	0 2 4·2
Cost of carting	..	..	0 1 8·2	0 1 10·2	0 1 1·7	0 1 9·6
Elevating and Crushing	..	..	0 0 7·8	0 1 0·2	0 1 3·9	0 1 3·4
Wages	0 4 11·9	0 7 0·6	0 4 10·3	0 6 2·6	0 7 5·5	0 9 2·1
Sundry Stores	0 1 9·5	0 7 1·6	0 8 9·9	0 5 4·2	0 5 11·5	0 2 6·1
General Charges	0 4 6·3	0 3 9·0	0 3 5·9	0 4 5·7	0 3 8·4	0 3 10·2
Up-keep, Repairs and Renewals	0 0 4·6	0 0 3·4	0 1 0·3	0 1 5·1	0 9 2·7	0 6 3·1
Handling Coke	0 4 1·7	0 3 10·3	0 3 8·3	0 6 2·6	0 7 5·9	0 7 4·5
Carrying Coke	..	..	..	0 7 1·9	1 9 2·5	1 5 6·6
Salaries	0 3 9·6	0 4 4·1	0 4 8·0	0 5 10·5	0 3 10·2	0 5 11·3
Electric powers	0 3 2·8	0 3 6·3	0 4 1·3	0 5 10·0	0 2 5·4	0 5 2·9
Depreciation	..	..	..	..	0 5 0·6	1 9 3·0
Total cost per ton	6 4 7·4	5 12 10·1	5 7 4·6	7 13 3·4	15 2 0·0	16 14 7·8

Statement IV.—Statement showing cost of raisings per ton, 1916—1923.

LODNA COLLIERY CO., LTD.

	Sepr. 1916.	Sepr. 1917.	Sepr. 1918.	Sepr. 1919.	Sepr. 1920.	Sepr. 1921.	Sepr. 1922.	Sepr. 1923.
Permanent Establishment . . .	0 3 7·603	0 3 11·598	0 4 4·950	0 3 10·064	0 4 10·173	0 5 10·555	0 7 4·396	0 6 7·499
Daily Wages	0 1 2·972	0 3 9·771	0 3 9·639	0 5 9·934	0 6 6·810	0 8 2·249	0 11 7·381	0 13 6·702
Contractors	1 0 11·329	1 2 3·681	1 1 11·597	1 2 5·860	1 3 0·920	1 9 6·944	1 14 8·186	1 15 7·402
Stores and Materials . . .	0 1 2·929	0 1 3·071	0 2 1·442	0 2 4·932	0 3 5·711	0 4 1·263	0 4 11·249	0 4 4·041
Repairs and renewals . . .	0 0 2·543	0 1 9·528	0 0 11·944	0 2 7·799	0 1 9·169	0 1 9·663	0 2 1·056	0 0 8·392
Rents and Royalties . . .	0 0 7·145	0 0 7·345	0 0 6·625	0 0 6·068	0 0 6·621	0 0 6·544	0 0 7·639	0 0 6·687
General charges	0 0 11·497	0 1 4·972	0 1 0·547	0 1 11·116	0 1 11·278	0 3 6·099	0 3 9·956	0 3 6·547
Up-keep of Buildings . . .	0 0 4·549	0 0 6·752	0 0 4·921	0 1 9·400	0 3 6·483	0 1 0·336	0 2 0·852	0 3 5·414
Depreciation	0 1 7·849	0 1 8·402	0 2 6·404	0 2 4·854	0 3 6·396	0 3 4·752	0 4 7·557	0 5 8·476
Total cost per ton .	1 10 10·416	2 1 5·120	2 1 10·069	2 7 10·027	2 13 3·561	3 6 0·405	4 3 10·272	4 6 1·160

Statement V.—Letter dated 4th January 1924, from Messrs. Turner, Morrison & Co., Ltd., to the Tariff Board.

We are in receipt of your letter of the 3rd instant, and have pleasure in giving the information promised as follows:—

(1) The present market price of Tar is Rs. 50 per ton.

(2) The quantity of Tar recovered from 1 ton of Coal may be taken at an average as 5 gallons, and the quantity of Sulphate of Ammonia as 18 lbs.

(3) The figures of the cost of equipment of a Colliery have been already sent you.

Oral evidence of SIR ROBERT WATSON SMYTH representing Messrs. Turner, Morrison & Co., recorded at Calcutta on Saturday, the 3rd November 1923.

President.—I should like to say in the first place that we are very much indebted to you for coming to give evidence. We have received from the Chamber of Commerce two letters* addressed to the committee by your firm—Messrs. Turner, Morrison & Co. I understand that it is your wish to give evidence on behalf of the firm.

Sir R. Watson Smyth.—Yes.

President.—You hold the office at present of Vice-President of the Chamber but you don't come as a representative of the Chamber?

Sir R. Watson Smyth.—No.

President.—Of the two letters from your firm to the Chamber, one was written as managing agents of the colliery company and the other as managing agents of the Shalimar Works. It is your wish to-day to limit yourself to these two particular aspects, or do you wish to take up the question rather from a wider point of view?

Sir R. Watson Smyth.—Yes, I would like to do so, but I owe to the Board a short explanation about how these letters came to be written because it seems to me they are open to misconstruction. In my capacity as Vice-President of the Chamber—I don't think that this need be published in the press—it is merely a personal explanation . . . . . .

President.—Just as you choose.

Sir R. Watson Smyth.—In my capacity as Vice-President of the Chamber I understood that the Chamber was going to submit a statement to you and I was asked, and agreed, to give evidence, if evidence was wanted by you, on behalf of the Chamber exactly in the same way as I did before the Fiscal Commission. As is the usual procedure, the Chamber issued a circular to all its members saying that they proposed to put in a statement to the Tariff Board, and would any member who had any views on the subject put them forward to the Chamber in writing? The members, in such cases, put forward their views very shortly, more as headings than anything else, without going too much into the reasons, and these are collected by the Chamber, or by the sub-committee of the General Committee, and based on these views a reasoned statement is produced by the Chamber. When I left for Darjeeling, that was, I thought, the procedure that was going to be adopted. When I got back, I found that the Chamber was not going to send in a statement, and that the individual letters that had been sent to the Chamber had been forwarded on to the Tariff Board. I thought that as that was the arrangement that had been come to, my poor effort must have gone in. I then discovered that they had not yet gone in. It was then that I asked the Secretary of the Chamber to let me have them back again so that I might put in something which was fuller and which would represent the whole of Turner Morrisons' views on the subject. That, however, was too late and that is how the thing arose.

President.—We should be very glad if you will amplify to-day in your oral evidence what is said in your two letters. We are most anxious to give you the opportunity of stating the views taken by your firm on every aspect of the case to which you would like to draw our attention.

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* Statements I and II.

Sir R. Watson Smyth.—That I should like to do.

President.—Well, then, we must leave it to you, in the first instance, to explain to us what you would like to state.

Sir R. Watson Smyth.—I should like first of all to state to you, Gentlemen, how our firm is interested in this matter. Our interests are all on one side We have no interest in the steel industry. We don't hold any shares in Tata's. Therefore we look upon it entirely from the point of view of the importer and the consumer, and the people who have to sell what they produce or raise or manufacture. That is the only point of view that I want to put forward before you to-day. Our business is somewhat varied, and so our interest in this matter covers a large amount of ground. First of all we own a cotton mill and a flour mill in Bombay. We have a paint factory in Calcutta.

Mr. Ginwala.—Is that not at Shalimar?

Sir R. Watson Smyth.—Yes. We have engineering works both in Bombay and in Calcutta—the Shalimar Engineering Works and Alcock, Ashdown & Co , Bombay. We have a sugar refinery actually in working order, and a very large sugar scheme just coming to the stage of floating in Assam We have a large interest in collieries in both fields—Jheria and Raniganj. These collieries are all combined in one Company which is the Lodna Colliery Company, but there are mines in both the fields mentioned above. In addition to that, we have Angelo's Shellac Works at Cossipore and a Rope Factory at Shalimar. That represents all our business that would be affected by a rise in the import duty on steel

Mr. Ginwala.—Have you no shipping interest?

Sir R. Watson Smyth.—Yes, we have a very large shipping business, but I am not sure whether it would be affected very much

Mr. Ginwala.—You have no riverine shipping?

Sir R. Watson Smyth.—Ours is all ocean-going. We have a fleet, of which we are managing agents, which trades round the coast of India and of course that would be affected to a certain extent in the matter of repairs, so that it might really be taken into consideration, and the rest is home-going steamers. I thought of bringing this more under the engineering department, being a question of spare parts, repairs and renewals. That is the line that I should like to take, if it suits you.

President.—Perfectly!

Sir R. Watson Smyth.—Let me start with the cotton industry. An increase in the duty on steel would not affect our interest very greatly—that is, immediately. Theoretically it would, but actually it would not Our large programme of reconstruction is fortunately finished, but had it not been, of course, the matter would have been entirely different

President.—I take it that, in the case of the cotton mill, it is chiefly in the capital account that the effect of an increase in the price of steel would be noticeable.

Sir R. Watson Smyth.—Yes.

President.—So long as machinery comes in at a very low rate of duty, and so long as cotton machinery is not manufactured in India, you would not be affected on the revenue side very much?

Sir R. Watson Smyth.—It would be capital: it would be a question of steel for buildings and machinery, but what I want to emphasise is the effect that it would have no possible developments. That is serious from our point of view. As I said, fortunately our development is finished; but had it not been finished, we would have to face a capital expenditure on the higher rate. I think that it is very likely that these developments would not have been made, or at any rate not to the same extent. We could not have afforded it. Of course there would be a steady rise presumably in the cost of spare parts and renewals which would come into the revenue account. I

might add that in Bombay we have another interest and that is the Union Flour Mill. There is nothing fresh that I have got to say about it. The same remarks apply.

Mr. Ginwala.—Do you carry on these concerns in different places in the same or different names?

Sir R. Watson Smyth.—The firm is Turner, Morrison & Co., and we are the managing agents, and the largest shareholders of these other concerns. The cotton mill is called The Globe Manufacturing Company. The flour mill is called the Union Flour Mill: the Engineering works is called Alcock, Ashdown & Co. We will now take the engineering works. There the increase of duty on raw materials, of course, will affect practically every job that we do.

President.—If I may intervene just for one moment, we have received from the Shalimar Works a letter* which was sent to us by the Manager of the works in September. I do not know whether you have seen it.

Sir R. Watson Smyth.—I probably have.

President.—Would you care to have a glance at it? This was received in reply to our questionnaire.

Sir R. Watson Smyth.—I remember handing it over to them to be answered direct by them.

President.—I just wanted to remind you that we had some expression of their views as regards the engineering works.

Sir R. Watson Smyth.—Yes. Of course if you would like to question me . . . . . .

President.—It is far better that there should be a certain amount of repetition than that anything which you would like to say should be omitted. It is not my intention to curtail anything you wish to say.

Sir R. Watson Smyth.—If there is anything to be amplified there, I would be quite prepared to do it. It is difficult for us to estimate what is going to be the effect of it on our business. Of course we recognise that competing firms would be in exactly the same position as ourselves. As you may know, we have been passing through a period of extreme depression in this engineering trade. Going into the causes of this depression, one thing that stands out before everything else is the increased cost of what we produce and the want of buying power of our customers. Now, are you going to improve that by raising that cost? Of course, from our point of view, the answer would be 'no.' That is the thing that we view with the greatest anxiety. Another point is that the business that is now done in this country, but which could be done elsewhere would be cut down to a minimum. There is the competitive business which of course would suffer very heavily indeed. By competitve business, I mean the repairs to ships that might be done here or could be done elsewhere. Our struggle for that kind of work with the Home firms has been very keen and we should view with the gravest anxiety anything that handicaps us in that. This includes steamer repairs in general. There are many other forms of engineering, but I am merely confining myself to what applies to Turner, Morrison & Co. The greatest part of our work is steamer repairs. We are well placed for it We have steamers of our own. We are agents for many of those that come into the port. We are looking at it from that point of view. Steamer repairs—and steamers also are passing through a period of very great depression and are cutting down their repairs to a minimum—will be done in the cheapest ports, and we should therefore suffer undoubtedly by a prohibitive duty or rather a protective duty. That deals with our cotton mills and engineering works. Then we come to the Paint works. I believe there are no other Paint Works in India on anything like the scale of ours. There are one or two smaller ones started after we did, but it is with imported paint that we have had a terrible struggle for years. I can speak with first

* Printed separately.

hand authority on that because I was in charge of our works from the time they started until I became the Senior partner four years ago. The imported paint has been our great trouble. First of all there was the prejudice against country made goods, but we finally won our market. There is another paint works now just started by a European firm up the river.

Mr. Ginwala.—What firm is it?

Sir R. Watson Smyth.—Barry & Co. There is plenty of room for both and more still. To these works protection of steel will come as a serious blow. We cannot make paint machinery in India. When I say 'we cannot,' I mean that it has never been attempted here and there is not sufficient market for it. It is a specialised form of machinery and is very expensive. If a high duty is added to it, it would become very expensive indeed. In addition to that, there are the usual expenses. Expenses on repairs to buildings and so on would also go up. From the point of view of our paint works, I view the proposal with alarm, especially now as we are faced there with heavy renewals. We have put off as much as we could during this period of high prices in the hope of things becoming cheaper.

Sugar is again a thing that affects us particularly at this moment. We have always been pioneers of sugar refining. Cossipore is known all over India and we have ourselves been refiners for 70 years. First of all we started with refining *ghur* and then we started getting sugar from Java. That has developed into an enormous trade. However what we have been trying to do for years is to find some place in India where would be reproduced the conditions of Java which our experts tell us is the finest sugar growing country in the east and we think we have found it in Assam. We have worked at it for four years, and the time has come when a big expenditure has to be incurred. The factory will cost £100,000. You can imagine our feelings when we see the chance of all our calculations being upset by this protection.

Shellac is also a very old trade of ours. We are one of the few people who manufacture shellac by a mechanical process instead of by the old hand process, and here again we shall be very badly hit if this protection is adopted. We have started a new process whereby all forms of shellac are manufactured by the spirit process instead of by heat. Up till now we have only been able to manufacture the coarser forms of shellac by spirit and the finer forms by heat. Heat, I may tell you, is a much more expensive form of production. We have now invented a machine, and have installed one complete unit. There are two more full units to come the price of which will be greatly increased if the duty is increased.

I have kept the question of our collieries to the last. As regards collieries no doubt other people will voice the matter better than I can, but still there we get to the bigger aspect of the question than our little individual interests. Coal, I need not remind you, is the life force of every form of industry in India. Cheap coal is essential. What is going to be the effect on coal of a protective duty like this? What has happened during the last—I won't go back more than—7 years? I won't even go back before the war. I shall only go back to the middle of the war and see what it cost me then to raise coal and what it costs now. Lodna coal—I take the corresponding month of this year and 1916 (and I can assure you that the month I have taken is not a 'freak' month but an ordinary normal month)—cost us to raise at pits mouth in 1916 Rs. 1-5-6. It now costs Rs. 4-10. In 1916 we put up a by-product recovering plant for making coke. That was erected on the latest up to date method. There was one previous to that which was worked by the E. I. Railway's Colliery Company, but it was an old, fashioned plant and only recovered tar. We put up what was then Simon Carve's latest plant and I think it was estimated to cost a little over £30,000. We were caught by the war. Our fire-bricks were made in Belgium and were used for gun emplacements at the battle of Mons. We were slaughtered in freight, and altogether, by the time when it went up

in 1916, the price was a good 50 per cent. higher than we had anticipated. But with all that it was a cheap plant, and it cost us a shade under Rs. 4 to turn out coke. That was what it cost us at the colliery, *i.e.*, buying our dust at the colliery (including the raising cost) and putting it through the by-product ovens and turning it into coke.

Mr. Ginwala.—Does that Rs. 4 allow for by-products?

Sir R. Watson Smyth.—The by-products are in addition. It is for coke only.

Mr. Ginwala.—It would be a good deal less if you allow for the by-products.

Sir R. Watson Smyth.—The profit you make out of the by-product is taken separately.

Two years later the demand for coke was very high and we doubled the plant and of course that was after the war. It went up very quickly but the price was very high with the rise in the cost of coal, cost of labour and in everything. The coke now costs us Rs. 17

Mr. Mather.—That is your producing cost?

Sir R. Watson Smyth.—Yes.

Mr. Mather.—Including depreciation on capital expenditure and so on?

Sir R. Watson Smyth.—Yes.

President.—It includes overhead charges also?

Sir R. Watson Smyth.—Yes. It includes everything. I must say that the calculation of depreciation was only by a rule of thumb method.

That is the rise which has occurred in the cost of what is the life force of all industries during the last seven years. Well, if you are going to have further big factories you want to increase your coke. You have got to put down more plants and they are going to cost you very much more. The first thing is how to work these prices down. That we have recognised for the last two years—cost of coal, labour and transport. Cost of labour cannot be brought down Cost of coal and transport must be got down if you are going to compete with other industries. How is that addition of 33⅓ per cent. to the cost of every steel article going to do that? I have put it from our point of view.

President.—I am turning for a moment to your first letter on behalf of the Lodna Colliery Company. You say there "The main idea of the recommendations of the Fiscal Committee was to adjust the fiscal system of the country, so as to foster the development of industries. Any extension of protection which will increase the present high cost of raising coal is bound, so far from fostering the development of industries, to affect them adversely, and we respectfully contend that, if protection is granted to the Indian steel industry, the cost of coal must automatically rise." I take it that your main proposition is this: if a high import duty is imposed on steel for protective purposes, the result will be not the encouragement of industries but it will retard and impede the development of industries. That is your fundamental proposition?

Sir R. Watson Smyth.—Yes.

President.—At the same time there is this thing to be said. The Fiscal Commission recognised that although the immediate effect of the imposition of a protective duty might be to hamper things for the time being, yet nevertheless, there might be such compensating advantages as would eventually make it profitable to the country to impose a protecive duty. Of course one of the main questions that the Board will have to consider is just how far there is any possibility of that result happening in the case of steel. I notice in the same letter you say "The Indian steel industry is incapable at the present moment of meeting India's demands, and we see no prospect at any reasonable period—if ever—of their being able to do so." Of course the evidence that was placed before us on behalf of the Tata Company, and which was confirmed to a certain extent by some of the other witnesses who have

given evidence before us, was to the effect that India enjoyed such natural advantages, especially in respect of iron ore, and also to a lesser extent in the matter of coal, and in the third place in respect of the fact that the coal and iron ore were within a short distance of each other, that there was no reason why steel should not be produced in this country at least as cheaply as in any other country of the world. What was urged was that, if protection were given now, and capital were attracted to the industry, it was reasonable to expect that, within 20 or 30 years, India would be supplying her own requirements in the matter of steel, and might by that time be thinking of exporting. This sentence that I quote from your letter to the Chamber "that the Indian Steel industry is incapable at the present moment of meeting India's demands" of course is correct, but the second part of it is "and we see no prospect at any reasonable period if ever of their being able to do so." I should like if you could amplify that statement a little and explain the reasons why you think so.

Sir R. Watson Smyth.—It may be a little too much to say that they will never be able to supply the total needs. They may supply all that is required in time, but in the meantime such infinite harm will be done to all other industries that the requirements of steel may go down to meet the output of the Indian factories. You mentioned a period of 20 to 30 years. I do not think that the gentlemen who drafted our letter looked upon that as a reasonable period. We may have many works started and reconstructed by that time, and possibly they will be able to meet the demand. But what that requirement will be, and how it would compare with the development, as development should go on, it is very difficult to say.

President.—Of course if higher import duty were imposed on steel at the present moment the result would be this. There is only one firm that is manufacturing steel and therefore it is probable that, in accordance with the usual economic laws, the price will probably be increased to the full extent of the duty on a good many forms of steel. But as soon as other firms enter into the industry and start the manufacture, you would at any rate have the beginning of competition within India. It might be a slow process, but would tend to reduce the internal price even behind the customs barrier.

Sir R. Watson Smyth.—That is theoretically a splendid idea, but how would it work out? My own opinion is that it would not work out in that way in practice. In the first place you are right in saying that the existing steel works will take full advantage of the duty, but I feel convinced that other steel works will not start, until they have sat on the fence sufficiently long to see the effect of the duty, and whether Tata's shareholders are getting a good return on their money. They recognise that this is an experiment they recognise that there will be tremendous pressure brought to bear to remove protection if it ever comes into existence, and they will be very chary to risk very much money until they see what the result is. It will be a long and, as you describe, a slow process.

President.—Every country undergoes this new development in the trade.

Sir R. Watson Smyth.—What is in my mind is that there are Protectionists and Free-traders who are born such and will never alter their opinion. By putting on this tariff you will never kill free trade, and Free-traders will never be satisfied so long as the tariff remains.

President.—You mean there will be agitation inside the country to remove that?

Sir R. Watson Smyth.—What I mean is that you cannot reconcile the Free-trader and the Protectionist merely by putting 33⅓ per cent. on steel. Therefore you cannot pass an Act and finish it by saying that this will not be repealed for a certain number of years. The time may come and very likely will come, so we Free-traders say, when even the hide-bound Protectionist will join with the Free-trader and ask to repeal such legislation. This is our view.

President.—Therefore you think that any protective duty imposed now will be on a very insecure foundation and we would find it difficult to proceed? That brings as to the question of what may happen in the political field.

Sir R. Watson Smyth.—We will assume that these things have happened. We will assume that the capitalist in India and elsewhere said " Now we have got protection for steel. We will get inside the tariff wall and we will build our works " and supposing that in the course of time they made enough steel to supply the needs of the whole country. Well, I think that has happened before in the course of the world's history and the result has been not a reduction in price but the formation of combines or trusts, who keep the prices just underneath the duty and keep world competition out.

President.—I do not know if you have looked at the figures of the cost of steel in the United States of America and Great Britain after the introduction of protection in the United States.

Sir R. Watson Smyth.—I have not actually looked up these figures but I have seen some figures quoted. I distrust figures a good deal.

President.—The figures so far as I have seen amount to this. For a certain number of years after the introduction of protection the internal price in the United States was above the world's price, sometimes to the full extent of the duty and sometimes to a less extent; but after some 10 or 12 years had passed, the internal price in the United States dropped nearer and nearer to the world's level, and eventually in the year 1911 the price was practically the same as the world's price.

Sir R. Watson Smyth.—But not now.

President.—There is not so very much difference now except in this. The internal demand in the United States has become so large that the country consumes the whole of its production. I believe that the duty has recently been reimposed upon imported steel. The American price for steel rails is 42 dollars, which would be, at the present rate of exchange, something like £9. It is much the same as the price of steel rails in Great Britain.

Sir R. Watson Smyth.—From a Free-trader's point of view I wonder what would have been the price in America if there were no combines and a high tariff was not allowed to continue.

President.—I do not remember whether it is a high tariff.

Mr. Ginwala.—43 dollars is just about the international price now.

President.—There are two points in connection with collieries that the Board will be very glad to have your opinion on. The Board quite recognise that it is a very important aspect of the matter that anything that leads to an increase in the price of coal must be adverse to all industries, but we have not hitherto obtained any definite figures showing to what extent exactly the proposed 33⅓ per cent. duty on steel would increase colliery expenditure. All you have said in your letter to the Chamber is " it is a common knowledge that such requirements in a normal sized colliery amount in the year to a large sum of money, and it naturally follows that in developing a new property the expense will be correspondingly greater." Well, that may very well be so, but we have hitherto not succeeded in getting detailed information. We wrote to the Colliery Association inviting them, or any of their members, to express an opinion on the point, but the Association said that they did not propose to tender evidence on that point. Would your firm be able to help us about that?

Sir R. Watson Smyth.—I anticipated a question like that. I thought that would naturally be the first question. I tell you candidly you cannot put a figure on that, and if you do mathematically put a figure to that, it would be entirely misleading, because it is consequential rather than actual damage that this thing is going to do us. Take, for instance, a colliery that raises 30,000 tons a month. The two pitheads are up and will last for years. Its machinery is good and would not require anything but petty

renewals. On that colliery you may spend in the course of a year, only Rs. 1,000 that can really be put down to the rise in the cost of steel, and if you spread this over 3½ lakhs of tons, you produce a figure that is ridiculous. That is the effect on this particular colliery. Now I will give you the other side of the picture. I have a colliery on 6,000 *bighas* that cannot be worked from one pair of pits. It means that you have to divide that colliery into two or three. I am now ready to put down my second pair of pits and develop the second half of the colliery. One half is being developed and the other half is lying fallow. I have the money but I dare not, with this thing hanging over us, order these expensive pitheads and construct the 1½ miles of siding that is required in that connection.

President.—This is a particular case and you could put a figure as to what the increased cost of equipment would be.

Sir R. Watson Smyth.—I could put a figure on equipment, but all I wished to say was that it would be more than I could afford. The result is that the colliery cannot be developed.

President.—Of course you cannot give an answer to the question as to what this rise in cost of steel would mean to a ton of coal. You can at any rate state what it will be within certain limits. Taking the equipment of a new colliery would it not be possible, after an examination of the case, to estimate the total cost of the steel going in?

Sir R. Watson Smyth.—You are assuming that we are opening out that colliery.

President.—It is a necessary assumption.

Sir R. Watson Smyth.—It is a question whether the rise in price would make it worth while.

President.—If that is so, what is the actual rise in price?

Sir R. Watson Smyth.—Spread over the field it will be gigantic.

President.—Let us assume that, if there was no increase in the duty of steel, six new collieries would be opened in the next five years. If the duty on steel is raised, I should not expect that the whole six would be opened, but two or three might be. What I am trying to ascertain is the difference in the cost of equipment of one of the collieries which did go ahead.

Sir R. Watson Smyth.—That depends on how you develop it. I will send you a rough estimate of the cost of equipping a colliery under present conditions. You may add whatever duty you may recommend and you will find the result.

President.—The cost of the steel should be distinguished from other expenditure, and if possible, the kinds of steel which will be affected from those which will not.

Sir R. Watson Smyth.—In the opening of a colliery practically everything is steel. I shall only give you steel.

President.—But labour must come to a good deal.

Sir R. Watson Smyth.—I am taking just the cost of equipment, our pitheads, our boilers and so on, not the cost of putting them in position.

President.—Even taking things like pitheads the cost would not necessarily increase to the full extent of the duty, because you have got to take into account the labour involved in constructing the pit-head

Sir R. Watson Smyth.—That labour is in England. The pitheads are merely bolted together out here. They are only rivetted here.

President.—You import your pitheads from England? Are they not also made in this country?

Sir R. Watson Smyth.—Certain companies make pitheads, but I do not know whether they make them out of Tatas' steel.

President.—The raw steel may or may not come from Jamshedpur.

Sir R. Watson Smyth.—If you want the actual figures I can give you our own figures. But our pitheads are imported into this country and riveted here.

President.—It would be very useful if you could give us that.

Sir R. Watson Smyth.—The siding charges would be somewhat difficult.

President.—I suppose the sidings would be constructed for you by the railways, and you would pay the railways for the work done?

Sir R. Watson Smyth.—Of course I can give you the cost of the rails and leave it at that. I mean I should not include the cost of engine house for instance. We have only got the whole thing in a tabulated form. I have only got to pick out the steel items but I do not know how you are going to apply that to the actual cost of a ton of coal.

President.—You could let us have the estimated outturn of the colliery, and an estimate of the increase in the capital expenditure which would result from the higher price of steel, the incidence per ton of coal can be calculated. If your firm could make a rough estimate of that kind that would be very helpful.

Sir R. Watson Smyth.—The figure can be produced, but it would a misleading one.

President.—But why more misleading than all statements of the kind?

Sir R. Watson Smyth.—If by that figure you want to show that this is the damage done by the 33⅓ per cent. duty which is in your mind, then I say that this does not represent the damage done to the industry.

President.—Can you tell us what the additional damage would be?

Sir R. Watson Smyth.—As I have tried to point out before, in talking about our own concerns, our anxiety is not so much for the existing concerns, except that our business will go slightly down, but it is the difficulty of development. That is the trouble, and if you are going to keep your collieries stationary because they cannot afford to develop, then if you develop your steel works and other industries that must use coal, the price must go up artificially.

President.—That at once makes it possible to reconsider the question whether it is worth while opening a new colliery?

Sir R. Watson Smyth.—Not necessarily. I can assure you that we were better off in 1916 than we are now when we are getting Rs. 9 a ton for our coal.

President.—That may very well be.

Sir R. Watson Smyth.—A high price of coal is not good for the coal industry, and it does not necessarily mean that you will develop.

President.—But a shortage in development raises the price, and the rise in price tends to make development possible?

Sir R. Watson Smyth.—Well, as I said before, that is theoretical. You would think that development in the coal fields would be at an enormous speed now when the price of coal is beyond what was our dream of avarice, but it isn't.

President.—That brings us on to another point—

Sir R. Watson Smyth.—I can tell you exactly what the rise is due to if that is within the scope of your enquiry.

President.—It is certainly within the scope of our enquiry for this reason that it is the most important element as regards the cost of production of steel. What I was very anxious to know from the Mining Association was, to what causes they attributed the rise in the price of coal during, and more specially after, the war and whether they regarded this cause as permanent or temporary. I do not know whether you have seen the letter from the Association.

Sir R. Watson Smyth.—I don't think I have.

President.—We will be very grateful if you will give us your opinion on the question what are the main causes of the rise in price, and how far you think they are permanent or temporary.

Sir R. Watson Smyth.—My own opinion is that transport is really at the bottom of the whole thing. The coal industry is sagging down-hill now. It cannot get back to anything like normal until transport facilities are better than they are. The whole trouble is that we cannot get rid of our output, our raisings are bad, but we carry heavy stocks and, if we made an effort to raise more coal, we should get into still heavier stocks. If prices fall half the collieries will go into liquidation. I mean if we had a buying ring such as they had in pre-war days and the early war days that forced the prices down, on our present outturn and despatches, a very few of us would live at all.

President.—I want to make sure that I understood you correctly. Either the collieries have to curtail their output or else large stocks accumulate at the pit's mouth and the coal which is stocked deteriorates.

Sir R. Watson Smyth.—That is what is happening now.

President.—You consider that as the most important factor?

Sir R. Watson Smyth.—To a great many of us. I am advantageously placed as mine is a colliery that can always sell. I have a colliery the products of which, both coke and coal, can always be sold, and yet I have 30,000 tons stock of coal and nearly 20,000 tons of coke. If you get me facilities to carry as much coal as I can raise and give me a great deal less for it there would be a more prosperous condition in the industry than we are working under now. Just as much as coal is the life of an industry, transport is the life of a colliery. Railways are, I understand, losing something like 10 or 11 crores in the two years, with all their charges up.

President.—Confining ourselves for the moment to this question, the transport difficulty is I take it one which can by suitable measures be removed?

Sir R. Watson Smyth.—We have tried for years ever since I had to do with coal, which is 11 years now, but the wagon difficulty has become proverbial, and matters have gone from bad to worse. Our export trade in coal is practically dead. The time was not so very long ago when chartering of coal steamers was one of the chief duties in our shipping department, and now if we charter two ships in six months that is all we do. There is one great branch of the industry stopped and at the same time there is at Bombay.................

President.—I do not want to travel very far in that direction because that after all is inevitable as the prices have gone up very high, as compared with the price in other places. The fact is there, and we all know that it is there. What we are trying to get at is whether it is permanent, or a factor that is going to disappear. Is it your opinion that the transport difficulties must be regarded as in all probability a permanent difficulty?

Sir R. Watson Smyth.—If this increased duty is put on permanently, the difficulty will remain permanently. Perhaps I should not go so far, but I don't see any solution of it.

President.—The other main difficulty I take it is labour, that is, the rise in the wages of labour and lower efficiency of labour. Is that so?

Sir R. Watson Smyth.—With labour as it is at the moment the two should go together; the more you pay the less a man works.

President.—How far do you regard that as permanent?

Sir R. Watson Smyth.—That I regard as absolutely permanent.

President.—You do not get more work out of the labour per man?

Sir R. Watson Smyth.—No.

President.—You don't think you will ever get more work out of the men again?

Sir R. Watson Smyth.—I don't think we are ever going to see the cost of labour down to anything like what it was before.

President.—To what period are you referring?

Sir R. Watson Smyth.—I am talking of what it was three years ago—just before the big rise. On the whole, I regard the labour part of it as permanent.

President.—But supposing the rates of wages remain up, but you gradually begin to get a better outturn per man, would not that bring down the cost of working?

Sir R. Watson Smyth.—I am of opinion that the present scale of so many rupees per ton on labour is not going down.

President.—Although I suppose the smaller efficiency of labour is a particular feature and is more marked in the collieries than elsewhere, we have had complaints about exactly the same thing from a large number of witnesses in the engineering trade. I have also seen in the newspapers similar complaints about other trades since the war. But it is a very depressing conclusion that these conditions should be regarded as permanent.

Sir R. Watson Smyth.—The reasons may not be the same. I think that the price per ton in previous years was ridiculously low and we have come to a more or less living wage now, and it is not going down and should not go down.

President.—It may be a fair wage for the tonnage produced, but there is still the further question how many days work the labourer puts in to get it.

Sir R. Watson Smyth.—If he is going to do more work, you will also have to educate him into requiring a better standard of living; therefore his wages will go up.

Mr. Mather.—Would not that be very much in the interest of the colliery proprietors?

Sir R. Watson Smyth.—But then wages would have to go up, that is my view.

President.—I think it was put to us by the Colliery Association that what it comes to is that they are getting only 3 days work for 6 days pay.

Sir R. Watson Smyth.—If you want to look so far ahead you must look at the broadest possible view which is "Is your labour per ton comparable with that of other classes of industry? Are you paying too much money for the amount of work done?" My answer is "In the coalfields, no." You are paying less than what the labourer can command elsewhere for his work.

President.—Your view is that what the labourer receives in the coalfields for the work he actually does is a fair wage?

Sir R. Watson Smyth.—It is a fair wage when you take it all round.

President.—Have you compared at all the labour cost per ton in this country with the cost in other countries?

Sir R. Watson Smyth.—No. Conditions are so entirely different. I have seen some trade union figures but I do not quite remember them.

President.—Before passing on to one or two other matters I would draw your attention to what the Colliery Association said. They regard the increase in the cost of labour and the decrease in the efficiency of the labour as mainly responsible for the rise in price. Then in the last paragraph they go on to say "In a general sense of course inadequate transport facilities must affect prices, but the Committee doubt if it can be maintained that this factor has been of any greater importance within the past few years than it was in previous years. The mining industry has agitated for many years on the question of the inadequacy of the wagon supply and other transport facilities and this agitation has not been so much greater recently than it previously was that the Committee can say that it has had much effect on the rise in prices." You do not endorse that?

Sir R. Watson Smyth.—I endorse it to an extent. I have noticed this apathy on the part of the Indian Mining Association and supposed that they were tired of agitation.

President.—It is a perfectly tenable line of argument that the transport difficulties are not worse than they have always been?

Sir R. Watson Smyth.—I do not know what they call worse. I should say they are far worse. I think they over-state rather when they say that they are not worse. I look back on times when you could get extra wagons for the docks. You could get them here and there always. You cannot get them now.

President.—What time are you thinking of aproximately?

Sir R. Watson Smyth.—Four or five years ago.

President.—That is during and immediately after the war?

Sir R. Watson Smyth.—Yes. Of course during the war the whole thing was in charge of Sir George Godfrey or somebody else, and then wagons were ordered here and ordered there, but perhaps in the earlier part of, and immediately before, the war when you had Government control—and I was more actively employed in running coal mines—we grumbled pretty steadily that facilities were very bad. I should certainly say that they are worse now, but we have got used to them. We are adapting ourselves, that is, we put up with things now as we put up with many things during the war over which we would raise a great outcry before.

President.—As far as you can judge conditions of transport are very much worse now?

Sir R. Watson Smyth.—I should certainly think so.

President.—When you give us the particulars of the increase in the cost of equipment of a colliery occasioned by a rise in duty on steel from 10 to 33⅓ per cent., it would be necessary to distinguish all steel machinery which come in on a 2½ per cent. duty.

Sir R. Watson Smyth.—I am only going to give you the prices; you must draw your own deductions and not make me responsible for them.

President.—If you will at any rate indicate those items which at present are liable on importation to 2½ per cent. duty it will be helpful.

Sir R. Watson Smyth.—I will give you the figures.

President.—It is perfectly open to you to make a disclaimer in supplying us with the figures. We shall not attempt to make you responsible for inferences that are ours and not yours.

The further point to which you draw our attention is really one which is a matter for argument and does not admit of any exact solution at all. There is another point. What you said at the beginning, when you were talking of the cotton interests with which you are concerned, was that they would mainly be affected by the increased cost of development in the construction of new mills. Have you recently erected any steel buildings?

Sir R. Watson Smyth.—We have practically rebuilt our mills.

President.—Would it be possible to let us know to what extent your expenditure would have been increased if the duty had been raised? We have nothing definite about that and it will be useful to have it.

Sir R. Watson Smyth.—I will try. These are items where exact figures can be got, but what use you are going to make of them is highly suspicious. I am afraid it will take a little time.

President.—Will you please let us have it as soon as you can?

Sir R. Watson Smyth.—I think I can let you have it next week.

President.—It would be very much easier if you could quote one or two concrete cases and say that they were constructed for so much and, if there is this duty, the increase must be so much.

Sir R. Watson Smyth.—We will do that.

President.—In your Shalimar Works you do a great deal of repairs to steamers?

Sir R. Watson Smyth.—It is really the main part of our business.

President.—As regards the manufacturing of boats and launches do you find at present that competition of foreign manufacturers is very great?

Sir R. Watson Smyth.—No, not in boats and launches. They are all made out here with the exception of one or two quaint people like Government and the Port Commissioners and these will import boats in pieces from Home, and put them together in India. Practically all engines come out from Home.

President.—Do you apprehend that, if the duty were raised from 10 to 33⅓ per cent, you would then have difficulty in retaining the market?

Sir R. Watson Smyth.—No, because we would all be in the same boat, but our market will be curtailed, that is our fear.

President.—That is to say, fewer boats and launches would be used?

Sir R. Watson Smyth.—Yes, they will become more a luxury.

President.—You have told us about your paint works. What rate of duty is at present payable on imported paint?

Sir R. Watson Smyth.—I am afraid I don't know. I think it is 15 per cent. but I am not absolutely certain. I might explain that we cannot make paint out of entirely indigenous chemicals. Although we have increased that to a great extent with the help of the Geological Department, and we have found a great deal in India which we used to import, but we have still to import a good deal on which we pay import duty.

President.—You have told us about some particular kind of machinery which you use.

Sir R. Watson Smyth.—The paint is all ground in a mill and all that machinery has to be imported.

President.—But is not that machinery subject to 2½ per cent. duty?

Sir R. Watson Smyth.—Yes.

President.—And that machinery is not manufactured in India?

Sir R. Watson Smyth.—No.

President.—In that case it would not be covered by any proposals made by the Board for the protection of steel. Nobody wants to protect what is not produced in India because you are not protecting anything. I admit it may be a very difficult thing to discriminate.

Sir R. Watson Smyth.—I understand you, but somebody may say that it could be made in India.

President.—That would not be in accordance with the recommendations of the Fiscal Commission which have been accepted by the Government of India and the Legislative Assembly. Discriminating protection is as far as possible to distinguish between what is, and what is not, produced in India and to frame the tariff schedule accordingly. In the case of machinery which at present is subject to 2½ per cent. duty only and is not manufactured in India, I think there would be no difficulty at all.

Sir R. Watson Smyth.—Our fear is that once you begin protection you will have to frame your case in such a way that all is going to be protected As you say a line is very difficult to be drawn. The case of shellac machinery of course is exactly the same.

President.—That is not manufactured in India?

Sir R. Watson Smyth.—No.

President.—Are there any firms in India so equipped that they could manufacture it?

Sir R. Watson Smyth.—No. Nobody has equipped himself. Whether he could do so or not is another matter. I have framed my case entirely on the assumption that all is going to be protected.

President.—I may say quite definitely that, where a particular form of steel is not manufactured in India to-day, and no firm is equipped for the manufacture of that particular kind, it would be the object of the Board so to frame its proposals as to exclude that, assuming that the Board make proposals for protective duty on steel.

Sir R. Watson Smyth.—Yes.

Mr. Ginwala.—You are an ex-President of the Bengal Chamber of Commerce?

Sir R. Watson Smyth.—Yes.

Mr. Ginwala.—You hold the office of Vice-President now?

Sir R. Watson Smyth.—Yes, I do.

Mr. Ginwala.—You gave evidence on behalf of the Bengal Chamber of Commerce before the Fiscal Commission?

Sir R. Watson Smyth.—I did.

Mr. Ginwala.—Were you then President?

Sir R. Watson Smyth.—I am not quite sure. I forget the date.

Mr. Ginwala.—I take it more or less that the views which you expressed then were the views of the Chamber of Commerce which, generally speaking, met with your approval?

Sir R. Watson Smyth.—No, I won't say that. I was the mouthpiece of the Chamber and I spoke according to instructions. I may tell you quite candidly, Mr. Ginwala, I am born and bred a Free-trader, and everything that did not come within the four corners of that creed did not meet with my approval, although I spoke as the mouthpiece of the Chamber.

Mr. Ginwala.—I put it to you this way. The Bengal Chamber of Commerce as recently as 1922 gave evidence before the Fiscal Commission. It then had certain views on the question of Free-trade and Protection.

Sir R. Watson Smyth.—Yes.

Mr. Ginwala.—Then the Fiscal Commission's report was published. We are now definitely appointed by the Government of India to enquire into the question of protection of the steel industry. We have asked the Bengal Chamber of Commerce to give us its considered views on that question. It might have had its views last year. As you know, it has now declined to give us its views.

President.—I don't think we have received a definite statement to that effect. I don't think that ought to go out to the public as a statement of the Board. It is not correct to say that the Chamber has informed us that it will not give evidence. *

Mr. Ginwala.—The Chamber has sent us communications from individual firms in lieu of its own statement.

Sir R. Watson Smyth.—I don't know that. I can tell you that these were sent in in my absence. I cannot hold myself responsible for this. I am not here as Vice-President of the Chamber and what the Chamber has done, I beg leave to say I don't know.

Mr. Ginwala.—Up till now the Chamber has not come forward to give evidence.

Sir R. Watson Smyth.—If you tell me that, I accept your statement, but I am here as the head of Turner, Morrison & Co. and not as Vice-President of the Chamber.

Mr. Ginwala.—You are an officer of the Chamber of Commerce.

Sir R. Watson Smyth.—I am not here in that capacity.

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* The facts regarding the communications between the Chamber and the Tariff Board were stated by the President at a subsequent meeting. The Board had been given to understand the Chamber would not tender evidence, but had not been so informed officially.

Mr. Ginwala.—You know that the Chamber has not yet come forward—that is a fact and you may take it as a fact—to give evidence before us.

Sir R. Watson Smyth.—You must know better than I do. I will say "yes," if you like.

Mr. Ginwala.—You have read in the newspaper that the Bengal Chamber of Commerce is definitely moving a resolution before the Associated Chambers of Commerce in December opposing the protection of the steel industry?

Sir R. Watson Smyth.—Yes.

Mr. Ginwala.—As a member, and a leading member, of the Chamber of Commerce, do you consider that the Bengal Chamber of Commerce is assisting us in the way in which we are entitled to expect assistance in this public enquiry?

Sir R. Watson Smyth.—I am very sorry, I really cannot answer that.

Mr. Ginwala.—Can you give me your personal opinion?

Sir Robert.—I prefer not to give it. You are cross-examining me as though I am representing the Chamber here to-day. I am certainly not here in that capacity. I don't think I should be asked to criticise the action of the Chamber.

President.—We must accept that definitely. We are not entitled to ask the witness questions which would really be put to him in a different capacity from that in which he comes before us.

Mr. Ginwala.—Am I not entitled to ask him his personal views as a distinguished member of the commercial community and of the Chamber?

President.—That is why I did not intervene. It is only a courtesy to the witness who has expressed his inability.

Sir R. Watson Smyth.—You are embarrassing me. If you knew, I am sure you would not do it for a moment. The Tariff Board have written to the Chamber on this subject. That letter is coming up for consideration at a special meeting which is going to be held on Monday, and you really cannot expect me to say anything.

Mr. Ginwala.—If the Chamber of Commerce do not send in a statement, of course, we cannot compel it to do so, but I shall consider myself entitled to take the opinion of the President which was given before the Fiscal Commission as the opinion of the Chamber. There is nothing before us to lead us to think otherwise.

Sir R. Watson Smyth.—Why do you tell me that? I am here as the head of Messrs. Turner, Morrison & Co. and in no other capacity.

Mr. Ginwala.—That is my view. You can take it for what it is worth. I shall consider myself entitled to take the opinion given before the Fiscal Commission as the present opinion of the Chamber of Commerce until I know to the contrary.

Sir R. Watson Smyth.—I am here as the head of Messrs. Turner, Morrison & Co. That firm did not give any evidence before the Fiscal Commission. I am not going to say anything about the Chamber of Commerce. I am very sorry that your questions have turned into this channel. I happen to be the Vice-President of the Chamber and they have not yet appeared before you. It is merely a coincidence. Mr. President, I am afraid I must appeal to you.

Mr. Ginwala.—I may take it that you have got nothing to say about the evidence you previously gave before the Fiscal Commission?

Sir R. Watson Smyth.—In my present capacity I have given no evidence before the Fiscal Commission.

Mr. Ginwala.—All the opinions that you then expressed were, I take it, the opinions of the Bengal Chamber of Commerce?

Sir R. Watson Smyth.—I don't know whose they were. They were given under instructions, but I repeat I am here as the head of Messrs. Turner, Morrison & Co. I have nothing to do with the Chamber at the moment.

Mr. Ginwala.—You have told me just now that you are an absolute Free-trader and that under no conditions you would look at protection. Is that your meaning?

Sir R. Watson Smyth.—That is my personal opinion.

Mr. Ginwala.—You will not make an exception in the case of any industry?

Sir R. Watson Smyth.—No.

Mr. Ginwala.—Even if it is an industry of national importance?

Sir R. Watson Smyth.—No industry whatever. It is against my creed.

Mr. Ginwala.—No matter how important an industry is—in time of war, for instance—you would not protect that industry?

Sir R. Watson Smyth.—No, certainly not. That is how the whole British industry is built up.

Mr. Ginwala.—Even in Great Britain, there is a tendency to ask for the protection of key industries.

Sir R. Watson Smyth.—There is.

Mr. Ginwala.—And you don't agree with any chance of policy? Nor do you attach any importance to the experience of other countries which have gone in for protection?

Sir R. Watson Smyth.—Certainly, I attach such importance, but having attached all the importance to it, enormous importance to it, I am still a Free-trader.

Mr. Ginwala.—You would not personally be guided by the experience of any other country excepting the Manchester School, I take it?

Sir R. Watson Smyth.—We are not guided but we are warned by the experience of other countries.

Mr. Ginwala.—You would not take that warning?

Sir R. Watson Smyth.—Yes. It is the other people who would not take that warning.

Mr. Ginwala.—You are aware there is no country in the world, except Great Britain, which is not protecting the steel industry at present, including China, Japan, Balkan States or any other country you can think of.

Sir R. Watson Smyth.—I really have not come to be cross-examined on the ethics of Free-trade *vs.* Protection. I have come to render what little assistance I can from my firm's point of view. I never thought that the Board was going to cross-examine me on the ordinary ethics of Free-trade *vs.* Protection. If the Board were to insist, then I must really ask leave to withdraw. I think I have given you all the information I can.

President.—We must all recognise from the start that the general abstract question of Free-trade and Protection is not really before us. It is closed for us by the decision of the Government of India and the Legislative Assembly.

Mr. Ginwala.—I am really not going into the general question.

Sir R. Watson Smyth.—I have given the President all the assistance I can.

President.—The Board would be very sorry indeed if you were to withdraw at this stage.

Mr. Ginwala.—I have asked you that question as a very important witness. If you have any objection to answering it, I would not press you.

President.—Please keep a little more closely to the immediate question.

Mr. Ginwala.—We are enquiring into the question of protection of the steel industry.

Sir R. Watson Smyth.—You asked me a series of questions about my views on protection generally and whether I am guided by actions in other countries and so on. I have not really come to answer all that. As I

said, I have told you what I have got to say, and I don't think I have got anything more to add to it.

President.—The Board are most anxious to have the point of view which you represent fully placed before us. I fully appreciate your point of view and it must ultimately be for you to decide what questions you are prepared to answer and what questions you are not. I have no doubt, Mr. Ginwala, that the last question you asked was only introductory which was to the effect that, apart from Great Britain, steel is protected in all other countries in the world. That is a fact that could be gathered easily.

Mr. Ginwala.—That would be taken as a rough guide.

Sir R. Watson Smyth.—Very well. Come along, Mr. Ginwala. I say "yes."

Mr. Ginwala.—I am very sorry if you are under the impression that I am trying to get anything out of you which you are not willing to say.

Sir R. Watson Smyth.—Not at all. If we are to have a round table conference as to the merits of Free-trade *vs.* Protection, I am prepared to hold my own against anybody. What I said was that I had come to put forward the views of Messrs. Turner, Morrison & Co. I thought that the whole thing would be over in half an hour.

Mr. Ginwala.—I gather that you were rather under the impression that the 33⅓ per cent. duty on steel would apply to all the steel.

Sir R. Watson Smyth.—As I said, not knowing what particular recommendations you were going to make, I had to base my case on that.

Mr. Ginwala.—That is hardly so. The demand of Tatas is confined more or less to the kind of steel that they manufacture.

Sir R. Watson Smyth.—Yes.

Mr. Ginwala.—In that case, do you consider whether your particular interests would be affected?

Sir R. Watson Smyth.—To anything that was not protected, my arguments would not apply.

Mr. Ginwala.—I dare say you know the kinds of steel that Tatas manufacture, I mean generally speaking. They are rails, certain classes of structural materials and other kinds of basic rolled steel.

Sir R. Watson Smyth.—Yes.

Mr. Ginwala.—At present the country is only interested, according to Tatas' point of view, in the protection of those particular articles.

Sir R. Watson Smyth.—I understand that.

Mr. Ginwala.—In that case the opinions that you gave would be subject to those modifications?

Sir R. Watson Smyth.—There can be no objection if the thing is not protected. At the same time, the fear still exists: if you once start protecting, protection will keep pace with development. If certain things are not protected to-day, they will be protected to-morrow, when Tatas or somebody else may say that they are prepared to manufacture them in this country.

Mr. Ginwala.—That would be a matter for further enquiry.

Mr. R. Watson Smyth.—From our point of view we are opposed to it This is only a thin end of the wedge when you begin.

Mr. Ginwala.—From that point of view we would like you—it may give you a certain amount of trouble—to give us some figures having regard to the kind of steel that is manufactured in this country. Would you give us some idea as to how you are going to be affected in the engineering industry?

Sir R. Watson Smyth.—I have said that the engineering industry would be the one which would be affected least. We should all be in the same boat, but we fear that it would restrict our market.

Mr. Ginwala.—That is to say, if the prices of raw materials go up, the general demand would be curtailed.

Sir R. Watson Smyth.—That is our fear.

Mr. Ginwala.—Taking the engineering industry as a whole just now, it is a very big industry?

Sir R. Watson Smyth.—Yes.

Mr. Ginwala.—We have some evidence given before us that that industry is also suffering from foreign competition in regard to fabricated articles.

Sir R. Watson Smyth.—That rather concerns the other part of engineering work. I would only put forward the case of our own small workshops. We are not bothered by foreign competition and as we only do ships' repairs and so on, the foreign competition that we fear is that the ships will go to some other ports for their repairs. Ships that come out here and ships that trade round the coasts might find it cheaper to do their repairs somewhere else, say Colombo, for instance.

Mr. Ginwala.—Supposing the steel industry was protected to the limited extent, *i.e.*, protection being given to what was produced in the country, then would you be in favour of giving any additional protection to the fabricated structural steel that the engineering industry manufactures?

Sir R. Watson Smyth.—Having protected one thing, you will have to protect everything, and that would help to increase the prices generally.

Mr. Ginwala.—In any case that would be necessary.

Sir R. Watson Smyth.—Presumably it would be necessary. Don't think, Mr. Ginwala that it makes it better. If I manufacture a thing here and have to pay higher prices for the raw materials, I cannot compete with the man who can produce the thing ready made, unless I am protected too.

Mr. Ginwala.—Apart from what may be called compensatory protection, they claim that they need protection because they cannot compete against foreign articles. To that extent, will you accept their opinion?

Sir R. Watson Smyth.—That all our people say.

Mr. Ginwala.—That is to say, that may be taken as the existing state of affairs?

Sir R. Watson Smyth.—I should think so.

Mr. Ginwala.—With regard to coal the figures that you gave are very interesting. You go in for manufacturing coke out of coal?

Sir R. Watson Smyth.—Yes.

Mr. Ginwala.—As you know that is an important factor in the manufacture of steel.

Sir R. Watson Smyth.—Yes.

Mr. Ginwala.—Would you oblige the Board by giving some sort of an account of your coking plant?

Sir R. Watson Smyth.—You mean how it is done?

Mr. Ginwala.—Yes, what sort of a plant you have got and so on.

Sir R. Watson Smyth.—Of course, I will.

Mr. Ginwala.—What by-products do you get?

Sir R. Watson Smyth.—Our by-products recovery plant is a battery of 30 ovens.

Mr. Ginwala.—How many batteries have you?

Sir R. Watson Smyth.—We have got two. There are 30 ovens in a battery. The ovens are about the size of half of one of those doors (committee room doors) and they open at both ends and they have a hole at the top through which they may be fed. In between them are flues which run under and between the ovens. Coal in the form of dust is sent up to a hopper by an elevator and it is fed through the holes into these batteries until each oven is filled tight with this dust. The flues are then opened. The gas ignites all round and for 24 to 30 hours this dust is burnt to a state of

white heat that drives off all the gases out of it which by succession are taken through the top. First of all they pass through a cyclone which whirls the gases round and shakes the tar out of them and then they bubble through sulphuric acid and deposit sulphate of ammonia and then they go back again to the furnace to fire the boilers and to the ovens to burn in the flues.

Mr. Ginwala.—What is the name of the makers?

Sir R. Watson Smyth.—Simon Carves.

Mr. Ginwala.—What did it cost you?

Sir R. Watson Smyth.—One £40,000 and another £70,000.

Mr. Ginwala.—What is their capacity?

Sir R. Watson Smyth.—About 7,000 tons of coke a month.

Mr. Ginwala.—How much coal would you require to make that quantity?

Sir R. Watson Smyth.—About 9,000 tons of coal.

Mr. Ginwala.—You have given the cost of coke in 1916-17 as Rs. 4 per ton *plus* by-products.

Sir R. Watson Smyth.—Yes.

President.—That was works cost. Did it include overhead charges, etc.?

Sir R. Watson Smyth.—Yes.

Mr. Ginwala.—It has risen to Rs. 17 per ton in the present year?

Sir R. Watson Smyth.—Yes.

Mr. Ginwala.—So the cost has gone up more than four times?

Sir R. Watson Smyth.—Yes.

Mr. Ginwala.—Has this corresponded more or less with the cost of raising the coal at the pit's mouth?

Sir R. Watson Smyth.—It has gone up in the same ratio, but it does not correspond.

Mr. Ginwala.—What I cannot understand is this: you say you use 9,000 tone of coal to get 7,000 tons of coke, and yet the cost has gone up all round by more than four times.

Sir R. Watson Smyth.—That is what I cannot understand myself. It is my mission in life, unsuccessful so far, to find out why the raising cost has gone up.

Mr. Ginwala.—The coking cost has gone up a good deal.

Sir R. Watson Smyth.—We know exactly how much the price of coal has gone up, and we have to find out what all the rest of it is.

Mr. Ginwala.—That is what you have not been able to ascertain?

Sir R. Watson Smyth.—We have analysed it down to a decimal point. Why all this happens, goodness' only knows. But these figures are perfectly accurate.

Mr. Ginwala.—What do you do with the surplus gases?

Sir R. Watson Smyth.—They burn. It is a continual process.

Mr. Ginwala.—Still, there will be a considerable amount of gas left?

Sir R. Watson Smyth.—It goes up the chimney. There is nothing in it, except benzol.

Mr. Ginwala.—With regard to by-products, your principal by-products, I take it, are coal tar and sulphate of ammonia?

Sir R. Watson Smyth.—They are the only two. There is a third, benzol. We don't recover that. It is wasted.

Mr. Ginwala.—Do you use your tar or do you sell it?

Sir R. Watson Smyth.—We bring it down to our distillery near Calcutta to make it into creosote, disinfectants and pitch.

Mr. Ginwala.—Is there a market for these in this country?

Sir R. Watson Smyth.—Yes.

Mr. Ginwala.—The reason why I am asking this question is that Tatas have told us that they cannot find a market for their tar.

Sir R. Watson Smyth.—I do not know about Tatas, but I buy nearly all the other tar that is manufactured.

Mr. Ginwala.—Could you give us some idea of the market price of tar at present?

Sir R. Watson Smyth.—I have not got it here. I can send it to you as soon as I get back. If you give me a note what figures you want, I can let you know in five minutes.*

Mr. Ginwala.—Would you mind telling us this? You have told us that out of 9,000 tons of coal you make 7,000 tons of coke. How much would you recover by way of tar and sulphate of ammonia?

Sir R. Watson Smyth.—I can give you these figures later.† I can send them with absolute accuracy. It would be about 70 to 80 tons of tar and 30 tons of sulphate of ammonia.

Mr. Ginwala.—There is one other point. In the manufacture of steel as you know coke is a very important item. Of course, Tatas have supplied us their cost of production of coke. Have you any objection to giving us your cost of production?

Sir R. Watson Smyth.—Not in the least. I will give you with full details.‡ Why not? I should be delighted to let you know.

Mr. Ginwala.—That would be very useful from our point of view.

Sir R. Watson Smyth.—Do you mean all these items, including the cost of coal at the colliery, etc.? I can give you all the figures about coke. I never thought that you would want them.

Mr. Ginwala.—Would you mind giving us also those figures. Tatas also have given us. You have told us the raising cost of coal in 1916 and also in 1922-23. Would you mind giving us the cost for every year?

Sir R. Watson Smyth.—With pleasure.¶ If you want month by month in each year I can give you, or if you prefer I can give on an average 12 months divided by 12. My raising cost, I may tell you, is low compared with others. You must know that we were one of the pioneers. We developed on certain conservative lines which other people have not and the consequence is that in comparison with them, I suppose ours is the lowest in the coalfields.

Mr. Ginwala.—No one can tell us how much equipment a colliery requires.

Sir R. Watson Smyth.—Of course, it needs more as it develops.

Mr. Ginwala.—Suppose you take a normal colliery and its output is going to be 1 million tons a year, how much machinery will you require?

Sir R. Watson Smyth.—We have not collieries that develop to anything like that. They get 60 to 70 thousand tons a month. I do not know what Tatas do. They have got a group of collieries. Of course, Lodna is a fairly big colliery and its output is 30,000 tons a month. What you want really to get at is, I think, the development of one pair of pit-heads. If you take a whole colliery it is difficult to explain the equipment.

Mr. Ginwala.—My point is this: a good deal has been said about Tatas' investment in collieries.

Sir R. Watson Symth.—Do you mean the one they bought from Kilburns, and developed afterwards?

Mr. Ginwala.—They spent a certain amount of money on the equipment of these collieries, but we cannot say whether what they have done is right or not. If you can give us a general idea as to what it would normally cost taking the output to be 30,000 tons a month we shall be very glad.

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* Rs. 50 per ton. See Statement V (1).
† See Statement V (2).
‡ Statement III.
¶ Statement IV.

Sir R. Watson Smyth.—It will be very difficult. One, of course, could do it. If I set my men to work out an estimate for a hypothetical colliery to raise that, I could give you the figures, but whether that would help you to ascertain whether Tatas paid too much for their colliery or spent too much on equipment I do not know.

Mr. Ginwala.—If you will give us an estimate of the cost of equipment that will be sufficient. Do you think you would be able to give information on that?

Sir R. Watson Smyth.—Yes. I can give it to you.

Mr. Ginwala.—Tatas' case is this: they have entered into some contracts for the purchase of coal. At the same time they have bought these collieries and equipped them. Their explanation is that they cannot always rely on a regular supply of coal. Is that a reasonable view to take from the steel manufacturer's point of view?

Sir R. Watson Smyth.—Yes. There comes in the question of transport. If the transport was good it would be an absurd statement to make, because they could buy from first class people; but the transport in recent years has become so bad that every contract has got in it the words "subject to the supply of wagons," and this has been grossly misused by a great many people and I quite sympathise with Tatas as I am myself buying outside coal. They cannot be certain of getting it in time and defaulters can always put it down on shortage of wagons.

Mr. Ginwala.—You say to that extent there is justification for that?

Sir R. Watson Smyth.—If I had not had my own coal I would never have thought of putting up a costly coking plant. Tatas also have got a continuous process of manufacture. Sugar has given me many grey hairs for the same reason: if I did not get coal I would destroy a tremendous amount of sugar at the works.

Mr. Ginwala.—Do you keep any record of the price of British coke?

Sir R. Watson Smyth.—No. I do not: it does not come within our scope at all.

Mr. Ginwala.—Is your coke used locally? Who are the principal consumers?

Sir R. Watson Smyth.—It goes all over India. Our coke is especially good for blast furnaces because it is very hard.

Mr. Ginwala.—On the question of labour I think I heard you say that the wages of labour must not be brought down?

Sir R. Watson Smyth.—Yes. That is a fair statement I think.

Mr. Ginwala.—Because you consider that the inefficiency of the labour is due to the low style of life and, if the standard of living goes up, you think that it will be beneficial to the industry as a whole.

Sir R. Watson Smyth.—You have got a very low type of aboriginal labour. They are quite satisfied with primitive methods of living and consequently they have got primitive ideas as to how much work they should do. If you could educate them they would alter their views, and they would be better workmen altogether, but they would want and would earn more wages.

Mr. Ginwala.—Referring to your letter of 18th September you say "The Indian Steel industry is incapable at the present moment of meeting India's demands, and we see no prospect, at any reasonable period if ever, of their being able to do so." Is that based on any careful examination of the industry or is it a general statement?

Sir R. Watson Smyth.—I think it is more a general statement. When the President was examining me on that point I explained to him what was in our minds.

Mr. Ginwala.—At present India's demands may be roughly taken at 1¼ million tons of steel including railway material, and of that there are certain kinds of steel which cannot be produced at all in this country.

Sir R. Watson Smyth.—I admit I was more or less going on the assumption that protection, if it came at all, was to go the whole hog and was not only for what Tatas are actually producing now. I thought that it was to suit the requirements of the country as a whole and not for what Tatas were able to turn out.

Mr. Ginwala.—Unfortunately that seems to be the impression abroad.

Sir R. Watson Smyth.—Yes. That is the impression.

Mr. Ginwala.—In your second letter * as Managing Agents of the Shalimar Works, Limited, you say "Further are Tatas struggling for existence or are they merely suffering from the general trade depression which is most acute in the engineering trade, and would any extra amount received in price from protection be regarded as an addition to the dividend capacity of the recipient, rendered necessary by over-capitalisation or would it be used for the improvement of methods of production which is the only ultimate guarantee of the permanent preservation of the industry?" That also I take it is a general statement?

Sir R. Watson Smyth.—That is more or less a general statement. Of course, as you know the general impression is that the improvement in Tatas is going to pay Tatas dividends. That, of course, we leave entirely in your hands. We were merely pointing out the general impression abroad.

Mr. Ginwala.—With regard to the question of dividends their average now works at about 6 per cent. You would not regard that as a very extraordinary dividend?

Sir R. Watson Smyth.—No. But do not take that as my comment on Tatas' business. If you put the question whether 6 per cent. is an extraordinary dividend, my answer is "no."

Mr. Ginwala.—It has been put to us that any new industry that has to be established in this country cannot obtain money unless there is a reasonable prospect of getting more dividend, say 10 per cent. What is your view?

Sir R. Watson Smyth.—That is so. I am not one of those against big dividends. I look not to the dividend only or to the capital, but to the relation between dividend and capital.

Mr. Ginwala.—There is one other point I wanted to ask you about—the general financing of a company. It has been suggested sometimes that you can raise your capital either by asking for ordinary shares or for preference shares which, of course, carry a smaller rate of interest. Would it be possible for a new company to raise a large capital by preference shares?

Sir R. Watson Smyth.—That is the usual procedure. When you float a company you make up your mind how much you put on ordinary capital and how much on preference shares. They appeal to different publics: some people like preference shares with a fixed rate of interest and prefer them to ordinary capital, while some others like the gamble on ordinary shares. Every jute mill has preference capital.

Mr. Ginwala.—At present would 8 per cent. interest attract preference shares?

Sir R. Watson Smyth.—Yes.

Mr. Ginwala.—With regard to the method of depreciation I should like your opinion. With regard to mining machinery would 10 per cent. be a high percentage for obsolescence and depreciation?

Sir R. Watson Smyth.—No. You would not be allowed that by the Income-tax authorities.

President.—I think it is rather the other way.

Sir R. Watson Smyth.—I have talked of depreciation already. I shall be very satisfied if I were allowed it by the Income-tax authorities. I hope

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* Statement II.

they would, but I understood that we were not allowed it by the Income-tax people.

Mr. Ginwala.—But Tatas stated that they were allowed 10 per cent.

Sir R. Watson Smyth.—That is all right then.

Mr. Ginwala.—On general machinery you would regard 7½ per cent. as reasonable?

Sir R. Watson Smyth.—Yes.

Mr. Ginwala.—With regard to the figures that the President asked for, it will not be easy for you to give the exact figures as to how much per ton the cost would go up?

Sir R. Watson Smyth.—I am not going to attempt to give that.

Mr. Ginwala.—Supposing you are quoting for coal, would you add certain overhead charges and other charges on the actual cost of raising coal?

Sir R. Watson Smyth.—That is not how we quote. We quote according to the market rate.

President.—To find out whether it is profitable to raise coal you will have to make an allowance for your overhead charges and so on?

Sir R. Watson Smyth.—We have got our own scale of what we call the raising cost and that is made up of several items. It includes depreciation and everything else.

Mr. Ginwala.—In depreciating the colliery do you depreciate the purchase price of the colliery?

Sir R. Watson Smyth.—We depreciate everything.

Mr. Ginwala.—Suppose you have got a colliery for Rs. 50 lakhs. In depreciating it what life would you give it?

Sir R. Watson Smyth.—You mean taking coal as a wasting asset: we do not take that into account in depreciation, nor in our raising cost. It is only taken into account when the expert gives the life of the colliery as a certain period. We do not put any particular item to the wasting asset of the colliery. We look to get our reserve up to the block account so that, when the coal finishes, there is a reserve there which will be enough to pay to the shares of the value of the property. You put aside something every year. But the life of the colliery is not taken into consideration.

Mr. Ginwala.—Have you considered the question of bounties to which reference is made in the letter—"if protection is to be given it should take the form of bounties"?

Sir R. Watson Smyth.—That is engineering. I really cannot support that because I do not believe in it myself. I did not draft that letter. Of course, it is quite understandable from the engineering point of view, but I do not think many people would agree with that. It just transfers the burden from the consumer to the general tax-payer.

Mr. Ginwala.—There is a duty of 10 per cent. on steel. Do you think that it is the utmost that steel can bear?

Sir R. Watson Smyth.—It is, of course, difficult to say that. I should not like to commit myself to any opinion. My opinion is that all these revenue taxes have come to a point where they have become protective.

Mr. Ginwala.—Suppose it is necessary for the Government of India to get more revenue?

Sir R. Watson Smyth.—I cannot say that it has reached that limit. I do not think that anybody knows what the limit is. If you mean that if they raise another 2 per cent. the whole industry would crumble up, I do not think so. But it is very heavy, almost higher than it could bear.

Mr. Kale.—You have told us that new capital would not come into the industry, even if protection were granted to the existing industry in India, because there is no guarantee that the policy of protection will continue. Have I understood you correctly?

Sir R. Watson Smyth.—Yes, more or less. I said there was that danger.

Mr. Kale.—If you assume that a sort of guarantee is given by the people to justify that this policy will continue for five or six years, in that case would there be any difficulty?

Sir R. Watson Smyth.—Of course it would be better, and 15 years would from that point of view be a stronger inducement than 10, and 20 than 15. Of course, it does away with my objection.

Mr. Kale.—If political conditions were such and the opinion of the Government and the country was such that sufficient assurance was obtained by capitalists that the protection would continue for a reasonable length of time, I think there would be no difficulty in attracting capital.

Sir R. Watson Smyth.—No. But at the same time it should be considered what form of guarantee you are going to get from a democratic Government. Agriculturists are generally all Free-traders.

Mr. Kale.—You seem to suggest that, if a country adopts protection there is the danger of Trusts. To some extent it is true, but I should like to ask whether that danger does not exist in Free-trade countries also, and whether we have not got combines and other evils in countries where there is no protection?

Sir R. Watson Smyth.—We have other evils but not these evils. You have got foreign competition to face. You have combinations, of course, to prevent unnecessary competition, but you are always kept down by foreign competition.

Mr. Kale.—You have told us that your firm were the pioneers in the manufacture of sugar. Is Indian sugar getting any protection on account of the high duty that exists?

Sir R. Watson Smyth.—Yes. They are getting protection to the extent of 15 per cent. on a tariff value: and tariff value has been at times very much higher than the market value of sugar so that protection has been as high as 20 per cent. But it has not done much good to Indian sugar.

Mr. Kale.—Suppose the duty were removed, do you think it will handicap your industry?

Sir R. Watson Smyth.—Of course, it will.

Mr. Kale.—Suppose the Government of India decide to do away with the duty altogether. Will your industry be adversely affected?

Sir R. Watson Smyth.—It will be affected to that extent.

Mr. Kale.—In that case would you not ask for protection?

Sir R. Watson Smyth.—Never. The only time when my firm entered the list very strongly on the question of duties was when there were countervailing duties on sugar. We fought bounties successfully and very strongly against the Bombay side. Bounties are unfair competition. Countervailing duties against bounties I believe in.

Mr. Kale.—Am I to understand that if the excise duty is raised to 11 per cent. in the cotton industry you would not object? The Indian cotton mill industry has got protection to the extent of 7½ per cent.

Sir R. Watson Smyth.—That is a very big question, if you put a revenue duty how much you will take it by way of excise. I do not believe in excise duties.

Mr. Kale.—I want to know your attitude.

Sir R. Watson Smyth.—I should object to such a thing.

Mr. Mather.—There is only one question that I would ask you. In the earlier part of your statement on engineering works I think you said that there are two difficulties at present in the engineering industry, one of which is the high cost of materials and the other the diminishing purchasing power of your consumers. You said again that the chief raw material was steel and you appeared to consider the present price to be high. Can you

give us any rough approximation of the increase in the price of steel to you as you buy now as compared with the pre-war price?

Sir R. Watson Smyth.—Not off-hand. I have not compared these.

Mr. Mather.—The reason why I ask you is this: the general opinion in the steel industry here and in America too, apart from the recent boom in the United States, is that the increase in the price of steel has been less than that in practically every other article.

Sir R. Watson Smyth.—I do not think I said that. In the first instance I said not " a rise in the price of steel " but " in the price of what we had to sell."

President.—I think you used the word " cost."

Sir R. Watson Smyth.—But I had in view the cost of the finished article that we had to sell and the purchasing power of the man who was going to buy it. We build barges. A barge which you could get for Rs. 10,000 then we can only sell for Rs. 15,000 and the man who buys it has not got as much money—now—as he had when he bought it for Rs. 10,000.

Mr. Mather.—You are not claiming that the cost of the raw materials has increased?

Sir R. Watson Smyth.—My argument is that the position is bad now, but that if you put 20 per cent. to the price of raw material, the position will be still worse.

No. 94.

The Standard Oil Company of New York.

WRITTEN.

Statement I.—Representation from the Standard Oil Company of New York, Calcutta, to the Secretary, Tariff Board, Calcutta, No. 776, dated 29th October 1923.

With reference to the inquiries which your Board has been making in connection with the proposals for a tariff on steel manufactures to protect the steel industry in India, we have the honor to request permission to put before you certain information relating to the request for a 45 per cent. duty on tinplate. The points we wish to discuss have come up in a general way during your preliminary hearings, but we have seen nothing in press reports indicating that they have been placed officially before you in protest against the proposed protective duty.

We are concerned largely with the use of tinplate for the manufacture of tins as containers for kerosene oil, and are, therefore, likely to be vitally affected by any increase in duty, particularly since there is every probability of our having to depend for many years to come on tinplate imported from abroad. The local industry admits its inability to put tinplate on the open market for the present and is most indefinite in its predictions on the possibility of doing so in the near or distant future.

We submit that the imposition of an import duty of 45 per cent. on tinplate in these circumstances carries with it an addition to the cost of kerosene in tins that will in all probability have to be passed wholly on to the consumers of oil. Based on our consumption of approximately 7,200 tons in 1922, the proposed levy would mean for this Company alone an annual increase of Rs. 10,80,000 in the cost of tins, which, as we have said, would very probably have to be charged to the consumers of kerosene. If other oil companies were to follow the same procedure the total additional cost of kerosene in tins to consumers in India would amount to approximately Rs. 40,00,000 per year.

In view of the inability of the local tinplate industry to supply the total demand in India for plates, we are of the opinion that such charges on the consumers of kerosene are unjustified, even if the figure on our business be alone considered. The addition of nearly eleven lakhs per year to our marketing costs is likely to be a handicap on us and a hardship on the consumers of our kerosene. It would be absolutely without direct benefit to The Tinplate Company of India Limited, because, on their own statement, they cannot supply the quantity of tinplate used by us, and our tinplate does not, therefore, come into competition with their production, and will not do so until they are in a position to meet the full demand of this country. It would appear from the press reports of their testimony that their plans for the immediate future do not contemplate the production of more than half of such demand. The situation therefore would be, if the 45 per cent. duty be imposed, that we and other users of half the tinplate consumed in India would be penalized and discriminated against without any opportunity of purchasing from The Tinplate Company of India Limited, our requirements of tinplate at equal or lower cost than that which this proposal would place on the imported product.

Previous to the recent erection of the tinplate mills at Golmuri, the Oil Companies as a whole used about one half of the total tinplate imported into India annually. The present import duty into India on tinplates is at the rate of 10 per cent. on a fixed valuation of Rs. 400 per ton. To manufacture a four-gallon tin, this duty cost amounts to Re. 0-0-8½. If the rate be enhanced to 45 per cent., a four-gallon tin would then cost Rs. 0-3-2 for duty on the tinplate alone.

The tinplate mills at Golmuri which were primarily instituted to manufacture plates to meet the requirements of the principal owners, have an eventual capacity, of 28,000 tons annually. According to statements noted at the sittings of your Board, it will be some considerable time yet before there is any of its products to offer for sale in the open market, and then only 7,000 tons annually at the most. This quantity we could ourselves take up, prices being equitable.

We therefore deduce that in order to protect an industry which at some distant date proposes to have only a maximum of 20 per cent. of the open market requirements of tinplate to offer for sale, it has been suggested that a heavy protective tariff be imposed on the purchasers of the 80 per cent. which must be brought in from outside sources.

We may say that the greater part of our tinplate is imported from the United Kingdom and that it follows that our position on this question is unaffected by anything other than our own interests and those of the Indian consumers of our products. The circumstances being what they are, we feel it necessary to record our emphatic opposition to a proposal, that if carried out, would have in its application a uselessly harmful effect upon our business.

We are prepared to appear before you to give any evidence you may require in support of the statements made herein.

Oral evidence of Mr. V. L. WHITNEY, representing the Standard Oil Company of New York, recorded at Calcutta on the 3rd November 1923.

President.—Mr. Whitney, you have come to give evidence on behalf of the Standard Oil Co. of New York with regard to this proposal which has been made for a 45 per cent. duty on tinplate?

Mr. Whitney.—Yes, Sir.

President.—One of the questions in which we have had some difficulty in getting at the facts is to get the figure of the total consumption of tinplate in India and also as to how their total consumption is divided between the Oil Companies and other consumers. It is only within the last six months that the tinplate figures have been shown separately in the trade returns; I do not know if your Company has got any detailed information about that.

Mr. Whitney.—No.

President.—You have given certain figures in the representation that reached us which involve a certain assumption as to the total consumption. You say "Previous to the recent erection of the tinplate mills at Golmuri, the Oil Companies as a whole used about one-half of the total tinplate imported into India annually." Where did you get that information?

Mr. Whitney.—We arrived at that on the statement of the Tinplate Company in their preliminary hearing in which they said that the Burma Oil Company would use 21,000 tons, and as we use about 7,000 tons that represents half of the Indian consumption, as stated by the Tinplate Company.

President.—You are simply going on these figures?

Mr. Whitney.—Yes.

President.—The only figure you definitely know is your own consumption which comes to 7,200 tons?

Mr. Whitney.—Yes.

President.—Your objection to the imposition of this duty is primarily this—that it would raise your costs?

Mr. Whitney.—Yes.

President.—But does the Standard Oil Company of New York take any theoretical view on the general question of protection?

Mr. Whitney.—No.

President.—The Tinplate Company drew our attention to the action taken about tinplate in America about 30 years ago, when the duty on tinplate was imposed. It was a very heavy duty, and at that time American production was very small; but it was followed by a very rapid increase in production and within a comparatively short time America was in a position to provide the whole of the tinplate she required. If the same results were to follow in this country, would that affect the views of the Standard Oil Company of New York at all?

Mr. Whitney.—No, sir. We are concerned with the immediate cost to us; that is what we are thinking about at the present time.

President.—If India were to imitate the action taken in America 30 years ago would you consider that we are acting on a good precedent?

Mr. Whitney.—I am not in a position to defend or attack our protection policy in the United States.

President.—Supposing that this duty were imposed, I think you have told as that the cost of 4 gallon tins will go up to a little over three annas?

Mr. Whitney.—It would come to the difference between 8½ pies and 3 annas and two pies, that is to say, the tin would cost the Company about Rs. 2-6 more.

President.—Would it be the policy of the Company to pass that increased cost on to the consumer?

Mr. Whitney.—I cannot say definitely, but that would very likely be the result.

President.—I do not know what the practice is when the oil is sold in tins. Is the tin charged for separately?

Mr. Whitney.—No. There is a price fixed for the oil in bulk; to this is added the cost of the tin and the handling of the packages and the dunnage necessary for loading and so forth.

President.—I take it, however, that unless all the Companies adopted the same policy, I mean if one of the large companies were to refuse to raise the price, the others might be unable to do so owing to the competition?

Mr. Whitney.—I cannot tell you what would happen in such a case.

President.—Do you think it probable that the extra cost would be passed on to the consumer?

Mr. Whitney.—Yes, we think that very likely.

President.—And oil in tins would cost more?

Mr. Whitney.—Yes.

President.—Do you think that the cost of second hand tins is also likely to go up?

Mr. Whitney.—That would follow.

President.—I see that part of your objection to the proposal is that, owing to their contract with the Burma Oil Company, three-fourths of the tinplates manufactured by the Tinplate Company is likely to be absorbed by that Company, and that leaves only 7,000 tons available for other requirements. You consider that in these circumstances it is not fair to put on the extra duty. Taking the total consumption at 56,000 tons and taking the Burmah Oil Company's consumption as 21,000 tons, there would be a balance of 35,000 tons of which they could supply only 7,000 tons. This touches on a general question which is of some interest to the Tariff Board, *viz.*:—what proportion of the total consumption of the country an industry ought to produce before protection is considered?

Mr. Whitney.—I should think they ought to be producing somewhere in the neighbourhood of 75 to 80 per cent.

President.—Is not that a pretty high standard to impose? It would make it very difficult to start a new industry for the people who attempted it, it might collapse before they got anywhere near the stage of 75 per cent.

Mr. Whitney.—I am not familiar with the circumstances that require the Tinplate Company to ask for this protection. I do not know what their costs are

President.—If their expectations are realised they would be producing half the total consumption of the country so far as we could ascertain it, but of course there is this complication that the Burmah Oil Company would be entitled to take up the whole of their demand and are likely to take up 21 thousand tons. I quite admit that is an unusual complication, and only a small proportion of the production would be available to the other consumers. But taking it on more general lines, your opinion seems to be that the Company ought to be producing a substantial proportion of the public requirements before the question of protection is considered.

Mr. Whitney.—We ought to be able to come in to the open market with some chance of buying tinplate at a cost which would be level with the cost at which it can be imported, or below. With a production by the Tinplate

Company of only 7,000 tons of the 35,000 tons required by the open market our opportunity for doing so is greatly circumscribed, I think.

President.—That is true. Would you care to amplify the representation in the letter on any other point? Has any additional point occurred to you since the letter was written?

Mr. Whitney.—No; I think it covers our views entirely.

President.—In America, does the Standard Oil Company make its own tinplates or buy in the open market?

Mr. Whitney.—I am unable to tell you. I think we buy some tinplates from the United States Steel Products Co.

President.—What you require in India you take from the United Kingdom?

Mr. Whitney.—Most of it.

President.—Can you tell us the c.i.f. price of tinplate?

Mr. Whitney.—C.I.F. cost of a box of 110 lbs. of 14×18¾ size is Rs. 20-11.

President.—What date is that?

Mr. Whitney.—That is our most recent shipment—within a month. The c.i.f. cost of a box of 10×20 size containing 156 lbs. of tinplate is Rs. 28-2-2 a box. To this must be added landing charges, railway freight, unloading charges, etc.

Mr. Ginwala.—What has been the movement in prices within the last few years?

Mr. Whitney.—Prices have come down

Mr. Ginwala.—How do they compare with the prices two or three years ago?

Mr. Whitney.—I think they are about 33⅓ per cent. down. Of course I am only speaking from memory.

Mr. Ginwala.—Are the American prices regulated like the price of, say, rails, by the United Steel Corporation?

Mr. Whitney.—I cannot give you any information about that.

President.—Is there a sort of a standard price that the manufacturers try to maintain as long as possible. For instance, before the war steel rails were sold at $28 a ton for quite a considerable number of years, the big manufacturers trying to steady the price at that figure. Can you tell us if there is anything like that in tinplate?

Mr. Whitney.—I do not know. These prices I have given you are made up on the average of different shipment, some from the United Kingdom and some from the United States. I can give you them separately, if necessary.

Mr. Ginwala.—May I take it as generally true that there is not much difference between the United States price and that of the United Kingdom?

Mr. Whitney.—As far as I know that is so. We buy a good deal in the United Kingdom because of the fact, I believe, that the freight is less.

Mr. Ginwala.—You have given the relative increase in duty 8½ pies to as. 3-2. What does the whole finished tin cost?

Mr. Whitney.—At present the tin costs as. 8-7·6339; that is our September figure.

Mr. Ginwala.—It would go up by about say as. 2-10.

Mr. Whitney.—About as. 2-6 per tin, or as. 5 a unit.

Mr. Ginwala.—Supposing that you transfer that to the consumer, would it affect very much the demand for kerosine oil?

Mr. Whitney.—That all depends on whether competitors follow this or not. If they did not follow, it would be a very great handicap to us.

Mr. Ginwala.—Would the price of the container be a decisive factor in determining the price of kerosine oil?

Mr. Whitney.—We believe that in the event of this duty coming on, all Companies would try to realize it in an additional price on tinned oil.

Mr. Ginwala.—Is it not more or less in the oil business a fact that this cost of production and other things do not always necessarily determine the selling price for the time being?

Mr. Whitney.—I am not qualified to speak on that. I do not know what is worked on in fixing the prices. I am instructed to sell oil at a certain price and that is all I am concerned with.

Mr. Ginwala.—These figures that you have given us for your consumption are based on 1922 figures?

Mr. Whitney.—Yes.

Mr. Ginwala.—Yours is a better quality kerosine as compared with that of the Burmah Oil Company?

Mr. Whitney.—We claim that, but I am afraid the Burmah Oil Company do not admit it.

Mr. Ginwala.—Your prices are higher at any rate than theirs?

Mr. Whitney.—Our oil is superior to their low grade oil.

Mr. Ginwala.—Take your highest grade oil.

Mr. Whitney.—The Burmah Oil Company make two grades of oil for the market, white oil and red oil. The white oil is supposed to compete with our white oil. Ours is all white and our prices are therefore higher than theirs on low grade.

Mr. Ginwala.—What is the difference?

Mr. Whitney.—The present difference is as. 9 a unit or four and a half annas a tin.

Mr. Ginwala.—What is the difference in price between your white oil and theirs?

Mr. Whitney.—It is the same price.

Mr. Ginwala.—Are you prepared to express any opinion on the question of protection of an industry as an American citizen?

Mr. Whitney.—No.

Mr. Ginwala.—You would not support protection on the same lines as in America?

Mr. Whitney.—Unfortunately, I have been so placed that I have never been able to take part in politics in America. There is a large body of opinion there which is opposed to protection in which opinion I might have believed, in which case I would support the views of our Company as now put before you.

Mr. Ginwala.—Have you at all studied the position of the tinplate industry in your country?

Mr. Whitney.—No.

Mr. Kale.—Can you tell me what share in the total consumption of kerosine in India is supplied by your Company?

Mr. Whitney.—I can tell you, but may I ask you if it comes exactly within the purview of this examination?

President.—It depends on what purpose it is wanted for.

Mr. Kale.—You have stated to what extent there will be an increase in the price of kerosine and also the total increase that will take place.

Mr. Whitney.—We have based that figure on the statement that the Burmah Oil Company will use 21,000 tons of tinplate. We believe that 21,000 tons covers most of our competitors' consumption. On Rs. 400 per ton tariff valuation with an increase of 35 per cent. you get Rs. 29 lakhs which, added to our 10 lakhs odd, makes about 40 lakhs. Those figures will give you the approximate proportion of our trade to the total.

Mr. Kale.—You have tried to make out that there would be an increase of price to the consumer in India if protection is given. I want to find

out how the price of kerosine will be determined and for this reason it is necessary to know what are the sources of the supply of kerosine and how the prices are determined in the market to-day.

Mr. Whitney.—As far as I can give it you, you can take our share of the trade as approximately 24 per cent.

Mr. Kale.—Is there any attempt in the kerosine market to combine for fixing the price?

Mr. Whitney.—To my knowledge, absolutely none. There is competition, of the hottest kind.

Mr. Kale.—If there is competition is it not possible that the increase in price on account of protection of the tinplate industry may have to be borne, partly in any case, by kerosine companies?

Mr. Whitney.—I am unable to tell you what the future has in store but I believe that we should have to include such increased costs in our selling prices.

Mr. Kale.—That is only possible if there is a monopoly, but if there is competition, as you say there is, then the Companies which are supplying kerosine to India will compete among themselves and in that case they will have to bear a part of the increase?

Mr. Whitney.—I am not qualified to give you an answer as to what the future will bring for us beyond that we shall probably have to add to our selling prices on tinned oil if the duty comes on.

Mr. Kale.—Would you be able to do that where there is the other possibility, *viz.*, of competition as you say there is? If there is no competition, of course, it is easy to pass the increase on to the consumer.

Mr. Whitney.—The fact that there is competition is evidenced by the fact that most of the competitive kerosine is sold to-day at annas 9 below our price.

Mr. Kale.—There is a feeling in the country that the price of kerosine in India is a sort of a monopoly price, that there is an agreement between the kerosine companies and that they try to impose their price on the public.

Mr. Whitney.—I am absolutely unqualified to speak on that because I have no idea. I sell at the rates at which I am instructed to sell. The prices are fixed at Home.

Mr. Kale.—Are you aware of the large dividends that are paid by some of the Oil Companies?

Mr. Whitney.—I know nothing of the dividends of the other Companies.

Mr. Kale.—It is sometimes 20 to 25 per cent., have you noticed?

Mr. Whitney.—I have never followed the dividends of the Burmah Oil Company or the Asiatic.

Mr. Kale.—Have you any objection to telling me what your own Company pays?

Mr. Whitney.—I cannot tell you exactly, but I think it works out to 16 per cent. per year on the par value of the stock.

Mr. Kale.—I was putting this question to you only to find out whether there was not a margin of profit which the companies were making out of which a part of the increase in price might be borne.

Mr. Whitney.—I do not know what the profits of our business are in India; that is handled by our head office.

Mr. Kale.—Are you aware whether your company at any time opposed protection to the American Tinplate industry in the past on the same ground on which it is opposing protection in India?

Mr. Whitney.—That happened long before my day. I know nothing about it.

Mr. Kale.—How many years' standing has your Company got?

Mr. Whitney.—50 years.

Mr. Kale.—So that the Company was certainly in a position, if it wanted to do so, to oppose protection in America?

Mr. Whitney.—I do not know. I presume that they were in such a position, but whether they did or not, I do not know.

Mr. Kale.—It would have been very interesting to know whether your Company put up a fight on behalf of the consumers in America as it is partly doing to-day in India.

Mr. Whitney.—I cannot tell you anything about that.

Mr. Mather.—You make your own tins and so do the Burmah Oil Company. Are there any other companies in India making their own tins?

Mr. Whitney.—Yes, Asiatic Petroleum and Indo-Burma.

Mr. Mather.—Where do you make your tins?

Mr. Whitney.—At Budge Budge, Karachi, Madras, etc.

Mr. Mather.—At each distributing centre you have your own factory to make these tins?

Mr. Whitney.—Yes.

No. 95.

Mr. G. Pilcher.

WRITTEN

Statement I.—Representation from Mr. G. Pilcher, to the Tariff Board, dated 3rd November 1923.

The Tariff Board was appointed by the Government of India on the recommendation of the Indian Fiscal Commission. It is engaged in an inquiry as to the desirability of according protection to the indigenous steel industry in India. It is my object to voice, however inadequately, not the view of any particular, specific, interest as to the merits of the exclusion of imported steel and the encouragement of the Indian steel manufacturer but rather the mean of the opinion which, in the Calcutta economic watershed at least, results from blending the views of all the many conflicting interests involved in a proposal to place a tax on imported steel. The ascertaining of this general, average opinion was, I take it, the task which the Fiscal Commission desired to see assigned to the Tariff Board. The criterion which the Commission supplied for the Board's guidance in the case of difficult claims to protection was to the effect that the concession of protection " should result in a net economic advantage to the country." In the case of basic industries the decision, in the opinion of the Tariff Commission, should rest " rather on consideraions of national economics than on the economics of the particular industry. The Fiscal Commission spoke in its report of a Tariff Board of unimpeachable integrity and impartiality, upon which will be laid the " duty of sifting with the utmost care the claims of industries to protection and insisting that the *necessity* of protection should be fully proved." The Commission predicated " perfect frankness and lucidity " in the statement of the case for and against the protection of branch of Indian industry, " so that the public may be in a position to form its own judgment." It demanded that, if and when any modification of the tariff occurred, such modification should be " in the interests of the country." The practical problem, the Commission said, was to devise a stimulus which would bring in the end " a gain " to the country as a whole greater than the immediate " loss." It deprecated the exclusion of imported coal on the ground that such exclusion would not be in the interests of " the country as a whole " and it stipulated that initial mistakes should " not be perpetuated at the cost of the " community." Protection was to be discriminatingly employed along the lines indicated in the report and the Commission defined indiscriminate protection as being such protection as " would entail a sacrifice out of proportion to the results." Thus the attention of the Board was specially directed by the Commission to the necessity for striking a balance between the claims of interests which, as the Commission clearly foresaw, and admitted, might conflict; and, in general, for striking a balance between good and evil, gain and loss. Where the issue was in doubt, the controlling factor in the Board's decisions was to be always the consideration of the *general* good rather than the claims or ambitions of a particular interest.

For the estimation of the net effect likely to be produced, on balance, on the country's industry and trade by any given economic departure Calcutta affords an unique point of vantage and one which justifies its claim to be treated with consideration and respect. A great port of entry and departure and of the entrepôt trade, it provides the machinery for the movement of two-fifths of India's entire foreign commerce. Its share of that commerce is valued annually at some two hundred crores of rupees. To the Customs receipts of the Government of India yielding 56 per cent. of Indian Revenue under " Principal Heads," Calcutta yielded 16 crores, out of 42 crores shown in the revised Budget of 1922-23. Within the economic watershed immediately served by Calcutta are situated the whole of the country's jute mills and presses employing some 350,000 workers and practically the whole of its

collieries employing some 220,000 persons. Together those two industries alone provide employment for nearly one-third of the entire total (1,750,000) of India's organized industrial workers. In addition Calcutta has within her immediate sphere of influence the whole of the partially industrialized tea industry with its 300,000 employees and—in workshops such as Jamalpur, Kharagpur, Lillooah and Kanchrapara—nearly one-third of the railway workers, numbering 150,000 who, after the cotton, jute and coal industries, contribute the fourth largest quota to the body of India's industrial labour. Further, in the now extremely varied yards and workshops devoted to the furnishing of the port and the production of railway wagons, of agricultural, colliery and textile machinery and implements, of cotton yarn and piece-goods, of paper, of tanned hides, leather and boots and shoes, of kerosine and petrol tins, of spare parts for the motor and other industries, of building materials, of flour, biscuits, milled rice and chemicals there are to be found within the Calcutta sphere of economic influence a large proportion (between 150,000 and 200,000) of the miscellaneous workers who, with the cotton, jute, colliery and railway operatives compose India's all too slender resources in industrial labour and experiences in industrial labour and experience. Of India's 1,750,000 industrial workers nearly one-half are concentrated within a radius of two hundred miles of Calcutta. (With the variety and numerical strength of the industrial employees in the old Bengal Presidency may be contrasted the position of the Bombay Presidency where, apart from 280,000 workers in cotton mills and presses, only 90,000 persons are officially recorded as in industrial employment.) The capital which formed an indispensible preliminary to the employment of the workers in the Calcutta industrial sphere was raised in Calcutta. Its supreme direction is still vested in this city in the hands of managing agencies which are themselves constantly engaged on tasks of commercial adaptation, adjustment and reconciliation which demand skill no less delicate than that which the Tariff Board is now itself asked to display. A single Calcutta agency firm may be engaged at one and the same time in several, or indeed many, of the following tasks: the management of collieries, jute mills and tea gardens, of works concerned with the production of machinery for the jute mills and collieries and of electric current for the latter, of saw mills which are engaged in the production of materials for utilisation in the tea trade, of cement, lime and stone quarries and manufactories contributory to the building trade, of a constructional department, of a boot and shoe manufactory, of a system of wholesale labour supply, of large up-country zemindaries, of light railways directly tapping the agricultural wealth of vast areas, and the attendant import and export business, river equipment and so forth which is the natural concomitant of the possession of a total labour roll extending sometimes into the hundred thousand. Such firms—and there are several, the variety and magnitude of whose operations assume very large dimensions—present a microcosm of Indian industry and trade as a whole. For economic purposes each of them is India *in petto* and in the detailed architecture of their combined interests there may be seen in operation the thrusts and pulls and stresses which are at work in the greater fabric of India's trade and industry. At the present moment, on a superficial view at least, the colliery interests of such a firm appear to demand protection from an invasion of foreign coal. (I am for the moment referring exclusively to the narrow interests of these concerns viewed strictly from the point of view of the balance of gain and loss in their sale returns.) The interests of its paper factory perennially demand protection from foreign competition both in price and quality which, under normal conditions, no Indian paper factory has yet been able to withstand. Equally emphatically its saw-mill and boot and shoe interests appear to demand protection against the Venesta three ply box or the product of the Northampton factories. On the other hand, its jute interests are possibly—though doubtfully—neutral in the contest over the protectionist principle. Presumably raw jute will always make good its entry into foreign markets, although even by the jute trade there are dangers to be faced in the event of the adoption of any protectionist procedure by India, namely, that restriction of imports, by

forcing up exchange, may place serious difficulties in the way of foreign buyers or that retaliation against India's manufacturers of jute bags and cloth may follow in the wake of India's tariff aggression against foreign steel or hardware or motor-cars. More decisively in favour of complete freedom of foreign importation are the interests of firms such as I have described which are concerned in the erection of buildings or the manufacture of machinery in this country. For successful competition with foreign contractors or indentors from abroad it is essential that all the raw materials of such operations shall reach the Indian domiciled firm at the lowest competitive price, c.i.f. Both from abroad, and within India itself, the competition—as those who know anything, for example, of the building trade in Calcutta, or the provision of colliery plant in the coal-fields, will agree—the competition is ruthless. Yet it is to be observed that the conflict of immediate interests entailed by the operations of a single agency firm in Calcutta is far from being limited to considerations based merely on the probable maintenance of sales or output. General considerations of the stability or fluctuation of *exchange* may vitally impair all calculations of ultimate profit or loss which are based merely on the apparent cheapness or dearness of raw or finished materials. There is to-day in Calcutta scarcely a firm but regrets the access of feverish prosperity in India's export trade which raised the exchange value of the rupee to 2*s.* 11*d.* in February, 1920. Nor are there many firms but regret the impulse imparted to dreams of manufacturing expansion in India by the relative cheapness of machinery and constructional costs which followed in the wake of that movement of exchange. Similarly the mature judgment of the composite trading body, is conditioned by considerations of the efficiency and adequacy of the country's *railways and ports*. The export trade in Indian coal was destroyed, perhaps beyond recovery, by the inadequacy of railway facilities in 1921. In the previous year the outward trade in oil seeds was damaged by the same cause and cargoes of inward produce intended for up-country were in some cases returned to their port of origin for the same reason. Considerations of the temporary potentialities of the Indian *labour supply* in any given area may similarly deflect a firm's judgment and commitments, while such factors as the course of the money market, the burden of taxation, the absorptive capacity of the consuming markets and even the economic health and political contentment of the masses are never absent from the calculations of those responsible for framing a successful trading policy. Upon these broader considerations the attitude of a multiple trading concern towards a specific and particular trading departure may, in the ultimate issue, often depend. Hence some synthesis of all its multiple interests must always be attained if disaster is to be avoided. Some such synthesis of India's interests *vis a vis* the demand for the protection of the indigenous steel industry appears to be imperatively necessary at the present moment. There seems to be a real danger lest the general good may be subordinated to the clamant appeals of interests unduly obsessed by considerations of only temporary or partial or local validity and blind to broader motives of Indian policy. I propose first to enumerate some of the not inharmonious, though multiple, industrial and trading interests, which demand consideration in an effort to create that balance sheet of Indian profit and loss which the Tariff Commission postulated as the necessary preliminary to the protection of steel or any other manufacture. Thereafter I propose briefly to advance some of the more general considerations affecting the economic stability of the country which must, in the opinion of experienced observers, condition—and possibly preclude—the acceptance of the specific proposals for the protection of its steel industry which have recently been placed before the Tariff Board.

The port of Calcutta—that is to say, the receiving and distributing machinery controlled by the Port Commissioners,—is, strictly speaking, itself a great industrial concern, still in process of development and still the prey of the economic competition maintained by its principal rivals. Dockyard employees (public and private) were shown in the last abstract as exceeding 10,000 in Bengal while shipbuilding and allied engineering works gave employment to

11,500. The task of attracting shipping to the Hooghly has involved from first to last a block expenditure on land, works, etc., which to-day stands at approximately 20 crores. Large developments are even now in progress at the riverside jetties and the King George's docks, the object of the creation of which is the self-preservation of the port by the maintenance of its efficiency, and the postponement of the date, dreaded in the case of every industrial undertaking, when capital already invested shall in any sense becomes a wasting asset. Since the date of the commencement of the war enhancements of port dues have been necessitated by increased costs of materials and of labour and, in a measure, by fluctuations of tonnage using the port due to variations in the prosperity of various staple trades, whether import or export. As regards the actual manipulative part of this importing and exporting machinery of the port of Calcutta the most obvious fact is that its chief component is steel. In the port itself all structural work is necessarily heavy. Where erection on steel piles has been found necessary some 70 per cent. of the total outlay on buildings may be ascribed to their steel constituents. Where, as in the case of the import and export sheds at the new docks, construction on solid ground is possible, some fifty per cent. of cost must still be assigned to the same item. In the construction of the four new riverside berths at Garden Reach no less than 31,777 tons of constructional steel were utilized. Even at the present costs of steel (some £11 per ton c.i.f.) and at the present tariff rate of ten per cent. *ad valorem* the import duty payable on the steel utilized in this single item of port constructional work would amount to £35,000 while, under the prohibitive Tariff on foreign steel demanded by the Jamshedpur interests, the duty charges would amount to some £116,000, or a surcharge of £80,000 over present rates. In the case of the King George's Docks now under construction and due for completion in 1927 or 1928 it is estimated that the price paid for constructional steel, excluding duty charges, will approximate to 50 lakhs. In the over-all cost of those docks (6·29 crores) further large expenditure will be involved on cranes, lock gates, etc. Should it be found impossible to restrict the influence of the proposed protective tariff to steel only—as contrasted with machinery—the increment in the over-all cost of the new docks, would be rendered even more considerable than is apparent from the figure given. Nor is the outlay of the port authorities on steel limitated to their constructional outlay. It bulks large in their expenditure on service vessels, on their shipbuilding yard and on their repair shops. From the foregoing it is clear that all proposals for the protection of the indigenous steel trade in this country are calculated to increase the cost of maintenance and new construction in the port of Calcutta and enhance both the block values of the existing plant and the sum annually set aside against its depreciation and replacement. To that extent all such proposals retard the constructional development of the port and must contribute to the further enhancement of port dues which are already (*e.g.*, in the temporary extinct trade in export coal) by no means a negligible factor in checking the resistance offered by Indian-produced commodities to their foreign competitors. In cases such as that now presented by the competition of Natal coal with the Bengal commodity in Bombay the difference of a few annas more or less in the over-all transport costs per ton of Bengal coal may go some way to turn the scale in favour of the foreign as against the Indian product. On differential freight charges of a few annas, or at most a rupee or two, per ton may turn the success or failure of a particular Indian industry in the whole foreign branch of its trade. Its success in that branch of its trade may involve for the ports, the handling of many hundred thousand tons of additional merchandize per annum and the berthing in the port of many additional ships per month. Conversely the failure of a single industry in a single branch of its foreign activities may have proportionately adverse effects on the port. In 1920-21, when Bengal's coal exports were 1,142,608, vessels clearing from Calcutta numbered 720, tonnage 2,225,000. In 1922-23, when coal exports had shrunk to 97,624 tons, vessels clearing from Calcutta numbered 492 (1,752,000 tons). In such a case not merely is the

trade itself damaged and the prosperity of the port injured but injury is sustained also by all those who, from contractors of bunker supplies upwards, are connected with the shipping industry.

Unfortunately the potentially adverse effects of high steel prices on the development and maintenance of the country's ports do not begin and end with structural considerations. Of the *imports* entering the country through the port of Calcutta in 1922-23 no less than 28 per cent. (23 crores) were referable (under value) to the headings Metals and ore (chiefly iron and steel), Machinery and mill-work, Railway plant, and Hardware. Indian imports as a whole present similar results. Out of a total importation for the whole of India in 1921-22 valued at Rs. 280 crores, no less than 81½ crores, or between one-third and one-fourth (in value) was supplied by machinery (35½ crores), iron and steel sections (21 crores), Railway plant (19 crores), and hardware (6 crores). Specially noteworthy is the fact that these particular imports representing as they do the demands not of the "consuming" classes but rather the capital expenditure of the great industries, are less sensitive to general economic depression than are the other principal items in the import list. Thus, while cotton importations declined from 36 per cent. of the pre-war total to 21 per cent. of that total in 1921-22, the combined iron and steel and machinery and hardware groups rose from 17 per cent. pre-war to 23 per cent. in 1920-21 and, in 1921-22 31 per cent. of India's total importation. In each of these items—which comprise three of the five largest classified contributions to India's import trade—steel bulks heavily and the effect likely to accrue to the trade of the ports from a prohibitive tariff on this great section of the foreign trade of the country must be considered in any attempt to assess the claims to preferential treatment of the Indian steel industry.

By the advocates of exclusion it is constantly assumed that the imposition of heavy Tariff duties on foreign steel—or, indeed, on any foreign commodity—will increase, or at least stabilise, the Customs revenue of the central Government and do the ports no harm. Even by the Tariff Commission it was apparently assumed that the imposition of customs charges on railway deliveries for the State railways, although it would reduce the profits of those railways, would be unimportant from the point of view of Imperial finance because the loss to the Railway Department would be made good under the heading of Customs. From the point of view of the administrators of ports and Customs it cannot be too clearly emphasized that the object, and the effect, of protective tariffs—if they are in any sense to produce the results anticipated from them—is to exclude imported goods. To the extent to which the tariff on steel is successful the inward tonnage utilizing the ports must tend either to arrive in ballast or to decrease in quantity and the Customs receipts from the schedules under discussion must decline. Unless the deficiency is made good by new branches of importation there must ensue a change in the proportion of export and import bills available whereby the country's foreign exchange must ultimately be affected to a degree which it is difficult to anticipate but which, if the disturbed balance of exportation remains excessive, must operate to the further disadvantage of the ports and to the ultimate detriment of the exporting community. This, in India, is composed in the main of the agricultural classes numbering over 200 millions to the predominance of whose claim to economic consideration the Indian Fiscal Commission made frequent allusion.

To India's imports at the present time cotton manufacturers contribute (1921-22) 21 per cent. in value and the iron and steel machinery, railway and hardware group 31 per cent. The decline of the former under the influence of protection—artificial, in the shape of duties, and quasi-natural, in the shape of high producing costs in Europe—has been prodigious in volume and its significance for the ports and the country's trade has been concealed only by the high money values temporarily prevailing. The number of yards of piece goods imported in 1921-22 was 1,079 millions as compared with an importation which, in 1913-14 amounted to 3,158 millions

The ultimate effect of that reduction on the inward freight market and on supplies of outward freight has been considerable and is likely to become more so. If the tendency towards the reduction of importation is now to be deliberately extended by means of hostile tariffs charges on that large section of the country's foreign trade in which steel is either the sole or the main constituent the possible consequences demand serious consideration in advance. Together, cotton piece goods and the iron and steel group constitute more than one-half of India's total importation. Since the Sixties of last century India's foreign trade has been slowly and laboriously nursed upwards from a value of less than 90 crores until to-day it exceeds 500 crores. Throughout that long period of nearly sixty years the duties on iron and steel and machinery at no time exceeded five per cent., while for forty years they either entered the country free or at a nominal duty of 1 or 2½ per cent. *ad valorem*. The same policy was deliberately pursued in regard to cotton manufactures, with the result that these two great classes of importation became in a sense the exchange medium whereby the world paid India for the major fraction of her growing volume of exports, composed mainly of foodstuffs or raw materials. These importations formed, too, the economic magnet by which tonnage was attracted to and retained on the trade routes to India. On the basis of the prosperity reflected in the growth of her foreign trade India's population, mainly in the agricultural sphere, underwent a large expansion. It is possible that, granted a marked diminution in the bulk of India's importation, the world would for a time still insistently demand her exportations of jute, raw cotton, hides, grains and, ultimately, even iron and steel. It is even arguable that, in time and at long last, the creation in India of factories devoted to the production of steel and machinery would, through the promotion of general prosperity and a higher standard of living, create a new and alternative demand for foreign importations, which would more than take the place of those now in danger of being destroyed. Unfortunately that vision relates to the future. It involves complex assumptions regarding the ultimate competence of Indian labour and the expansive capacity of the country's social system which need separate discussion. At the present time India has to face the fact that through her import trade she must make provision for the foreign payment to her of a bill for her own exported commodities which annually verges on 250 crores. If she fails to do so it can only be at the ultimate expense of her export trade and at the cost of endless suffering to the agricultural masses who, in a very literal sense, have been the creation and offspring of the economic policy which it is now proposed to subvert (Sir Robert Giffen's figure for the population of India in "1815—21" was 136,000,000. The official figure for 1872 was 206,000,000 and for 1911 315,000,000 since increased to some 320,000,000). The permanent reduction of importation in the iron and steel and machinery group on a scale parallel to that observable of late years in the cotton piece-goods section would result (more especially if accompanied in the export trade by a rapid expansion of iron and steel despatches) in the creation of a balance of trade so "favourable" to India—but in reality so excessive as against importing countries—that a high rate of exchange, involving a further reduction of the world's already restricted buying power, would become all but inevitable. The sufferers would be the producers, manufacturers and exporters of India's agricultural output and semi-manufactured goods. Neither to the 96,000,000 agricultural workers in the districts, to their dependents exceeding 100,000,000, nor to the large population dependent upon the ports would any compensatory satisfaction accrue from the fact that commodity prices in the iron and steel and attendant industries were rising against them and that a few thousand factory employees were receiving good wages in Bihar and Orissa.

As is remarked by the compiler of the "Review of the Trade of India in 1921-22," the country's imports of iron and steel, machinery and railway materials themselves represent *capital* expenditure. They arrive in India not in response to the ephemeral demands of day to day or month to month consumption (compare the other two principal items in the importa-

tion list, namely piece goods and sugar) but to satisfy the necessities of the great constructive utilities and industries which, directly or indirectly, are themselves responsible for the maintenance of the trade of the ports in an external direction. "It seems regrettable," writes Mr. Ainscough in his able and impartial report on the conditions and prospects of trade in India (1922) "that at a time when India requires such large quantities of structural steel to make good the depreciation during the war and to build up her nascent industries, the cost of steel—the raw material of almost all industries—should be artificially raised as a result of import duties." Mr. Ainscough is here referring to the existing Customs taxation imposed for revenue purposes. Of all these public utilities and industries the first in importance is obviously the railways. The problem of the precise influence likely to be exercised on railway development by a permanent increase in the cost of steel, and sooner or later, of every commodity into which it enters, is one for expert and detailed presentation to the Tariff Board. I confine myself to drawing attention to the fact that in 1921-22, for the first time in their recent history, the railways of India, in which are invested 645 crores of public money (necessitating an annual interest payment of over 20 crores) showed a nett loss after payment of interest, provision of sinking fund, etc., of nine crores. A loss of 1½ crores again appeared in the following year. This year receipts are disappointing and final receipts are expected to be below the actuals of 1922-23 although something is being saved on the debit side of the account by restrictions of expenditure the wisdom of which is by no means certain. Losses made by individual railways in 1921-22 were; North Western, 4 crores; G. I. P. 3¼ crores; Eastern Bengal, 88½ lakhs; M. and S. M. 61 lakhs, and O. and R. 26½ lakhs. In 1922-23 the loss on the N. W. R. was again at 2½ crores, on the G. I. P. at 90 lakhs and on the E. B. Railway at 62 lakhs. These unsatisfactory working results, as contrasted with the steadily developing prosperity of the period ended in 1914, were attributed mainly to the all round increase in constructional and running costs, although admittedly the parallel increase in the number and cost of personnel was an important factor also. Of 605 crores of State railways capital which were subjected to analysis by the Inchcape Committee 180 crores were invested in State-worked lines and 425 crores in those at present operated by the Companies. Of the entire total 242 crores is debited to expenditure on construction of lines and works, 111 crores to rolling stock, and 34½ crores to stores. In addition 224 crores represent "liability for purchase of main lines." From these figures it is difficult to assess the proportion of railway outlay, capital and recurring, in which steel plays a predominant part. It is clear, however, of the total railway expenditure from capital and from revenue allotted for renewal purposes, not less than one-half is likely to be affected by a permanent tariff charge on foreign steel and—its inevitable concomitant if the purpose of the tariff is to be realized—a permanent tariff charge on imported machinery. At the present time capital railway expenditure amounts to 30 crores of rupees per annum under the Acworth programme. Under the heading of renewals from revenue the total expenditure should, for this and next year, be some nine crores. Before the last Railway Committee the Agent of the G. I. P. Railway stated that an expenditure of 40 crores would be necessary, on his line alone, to restore the pre-war condition of efficiency. Some ascertainable proportion of this outlay must be affected by a prohibitive tariff on foreign steel and I suggest that it is the Tariff Board's duty to afford the country the clearest possible indication of the annual monetary sacrifice involved to the taxpayers in any projected increase of duty. [A faint indication of the increase in railway costs involved in any compulsion placed upon the Railway Board or the Companies to purchase in this country at the present time, with the steel tariff standing at ten per cent., is afforded by the statement of the Railway Industries Committee that, on a purchase in India of 3132 railway wagons merely, the additional cost to the tax-payer would have been approximately half a crore of rupees as compared with the cost of the imported commodity. Were still greater protection afforded to the indigenous steel industry the disparity between foreign and Indian

prices would necessarily become more marked,] if only in view of the fact that the Indian manufacturers are dependent on foreign sources of supply for no less than eighty per cent. of their steel requirements. The retort of the steel interest naturally takes the form of an assertion that ultimately prices will fall despite the obvious fact that, for so long as the total Indian steel output falls short not merely of the total requirements of Indian consumption, but of the maximum *variety of output* demanded by those requirements, for so long can the competing steel producers in India maintain prices at or just below the foreign competing level determined by the tariff. Yet the reduction of all forms of railway expenditure and the construction of new lines are the most urgent industrial necessities of the moment. Among the causes to which the Tata Company attributed the decline in its own profits is the enhancement of railway costs. Working expenses on the Indian railways rose from 29 crores in 1913-14 to 67 crores in 1922-23. The average cost of maintenance and renewal of existing lines per mile of permanent way rose from Rs. 1,035 in 1913-14 to Rs. 2,628 in 1922-23. The average cost of repairs and renewal both of locomotives and wagons rose above 200 per cent. per vehicle during the same period. The Inchcape Committee said: " It is, in our opinion, not practicable to make any great increase in rates and fares without adversely affecting the trade of the country." The Acworth Committee, like the Mackay and other Committees before it, descanted on the hopeless inadequacy of India's railway system to the country's existing trade potentialities. The Industrial Commission saw in intensive railway development the only possibility that India would obtain the " cheap supply of coal " which it declared to be the " foundation of future industrial progress in India " and it declared that " a cheap railway service is of nearly as great importance to industries as cheap machinery and it would be difficult to justify a high duty on railway materials, if it were likely to raise the cost of the railway service merely in order to protect the manufacture of raw materials in India." India with its 320 millions of population and its vast extent possesses 37,000 miles of line as compared with 39,000 miles of line engaged in coping with the needs of Canada's 8,000,000 inhabitants and 29,000 miles of line for Australia's six millions. New construction will become imperatively necessary as soon as the existing 150 crore programme of rehabilitation is completed. The trade exigencies of the railway position are well illustrated by the fact that less than three years ago the then affluent Tata Iron and Steel interest was offering the Bengal Nagpur Railway a loan of four crores to facilitate more rapid construction of new lines. At best the new capital requisite for the task of expansion will be obtained on the basis of five and a half or six per cent. interest now current for Indian loans in the city of London as compared with the basis of three or three and a half per cent. upon which much of the railways' existing capital was obtained. If the country's railways are not to become a wasting asset economy of outlay and expenditure is essential in every branch of the replacement and renewals programme. If new capital is to be raised on favourable terms for the much needed expansion the greatest economy of capital outlay is necessary. Nothing can be more certain than that, so long as railway deficits continue the recurring costs involved in the raising of new capital will rise as against India. In view of these desiderata, essential as they are to the rehabilitation of both Imperial and provincial schemes of taxation no less than to the progress of the country's industries, the present is scarcely the ideal moment for the adoption of a tariff policy which, whatever its ultimate benefits, must for years to come increase the cost of railway construction and maintenance. Considerations of the security of the taxpayers' past investment of 600 crores in the railway system should surely exercise a material influence when claims are made on behalf of a nascent industry the private investment in which still falls short of 20, and may never attain the limit of 100 crores.

It is sometimes contended that, granted the payment of Customs charges by all the State-owned railways as recommended by the Fiscal Commission, the State will not lose seriously because what it takes out of its railway

pocket it will put into its Customs pocket. This contention illustrates the fundamental fallacy underlying the Fiscal Commission's assertion that, a high Customs revenue being necessitated by the country's financial exigencies, the Customs duties may well be of a protective character. Protective Customs duties are designed to exclude foreign commodities. If they are successful in their aim the State revenue from Customs duties declines *pari passu* with the growth of internal industries and internal trade monopolies. For a time, it is true, the Imperial revenues would suffer a net loss not greatly exceeding the surplus profit accruing to indigenous steel interests from the higher prices paid for that fraction of State railway material derived from their factories. Ultimately, however, as the proportion of railway materials derived from indigenous sources of supply grew larger, the excess profit accruing to those sources would become progressively larger while the Customs receipts accruing to the State would become smaller and smaller until finally the whole loss represented by the difference between prices before and after the imposition of a protective tariff would fall on the railway revenues—in other words on the Indian taxpayer and every industry utilizing the railways.

To give concrete examples of the increased burden likely to accrue from the enhancement of taxation on the raw materials employed in the construction of utilities is always difficult. An engineer of high reputation informs me, however, that the cost of the cantilever bridge of 15,000 foot span, 140 feet wide the construction of which across the Hooghly, at Howrah, is overdue, is likely to be enhanced to the extent of from 30 to 35 lakhs if a prohibitive duty of 33⅓ per cent is placed on raw steel merely, and by 50 to 60 lakhs of rupees if the duty is extended to fabricated steel. Such an estimate is of importance to the railway administration in a country which *par excellence* (although by an unfortunate necessity) is the land of railway bridges. I submit that a flood of light would be thrown on the direct cost to the utilities of the country of the proposals for the prohibitive taxation of foreign steel, if precise estimates were obtained of its incidence not merely on the annual railway programme but on the following projects:—

(a) the not yet matured, though most essential, scheme for a Grand Trunk Canal in Bengal:

(b) the scheme for a Calcutta tube railway originally estimated to cost £3,500,000;

(c) the proposed East Indian Railway bridge across the Hooghly at Bally;

(d) the Sukkur Barrage scheme now being initiated at an estimated cost, under the existing tariff, of some 20 crores;

(f) the third and latest of the hydro-electric schemes now undergoing development in the Western Ghats to assist the promotion of which the Tata interest has recently acquired £1,750,000 from the State Guaranteed and London loan market;

(g) the Khyber railway scheme, the rails of which are to be laid next year; and

(h) in retrospect merely, of certain existing works such as the Hardinge bridge across the Ganges.

By such means a certainty of prospective loss will ensue which will be eloquent of the sacrifices necessary in order to secure the so called "national" advantages of a protective proposal.

The probable reaction of the proposed tariff on the port of Calcutta regarded as the inlet and outlet for two-fifths of India's foreign trade valued at 200 crores has been briefly noted under the heading of port administration, foreign importation of steel and steel commodities, and railways. Of the export industries represented in the trade of the port that concerned with the handling of raw and manufactured jute is the largest—as, indeed, in 1921-22, it was, in point of value, the largest of the items

contributory to India's annual statistics of foreign trade. Bengal's exports of raw jute were valued in 1922-23 at 21¼ crores. Her exports of manufactured jute were valued in the same year at 40¾ crores. Together these items constituted, in value, 55 per cent. of the outward trade of the province, or 24 per cent. of the export trade of the whole of India, cotton following next with 19 per cent. Doubtless the export of raw jute, as of all other purely agricultural products, would be affected only in indirect fashion by an enhancement in the cost of steel. On the jute manufacturing industry of Bengal, on the other hand, the effect of steel taxation would be direct and immediate, as well as indirect. The capital invested in the 51 jute mills on the Hooghly exceeds 50 crores composed as follows: Ordinary fully paid capital, 14 crores; debentures, 4 crores; preference shares, 4½ crores; reserves and other funds (the bulk of which at the present time is in liquid or semi-liquid state) 30 crores. Looms in the 51 mills number 44,000 which, at pre-war costs of construction, must have involved the expenditure of some 26 crores of rupees on buildings and machinery and at to-day's cost would involve the expenditure of some 40 crores on buildings and machinery. At least one large mill, laid down when the price of materials was at its zenith, cost its promoters Rs. 20,000 per loom operated, as compared with the pre-war estimate of Rs. 6,000 per loom operated and to-day's estimate of Rs. 9,000 per loom operated.

In the jute trade it is, I believe, the custom, dictated by long experience, to divide the value of mill block into two shares—one-third of outlay being assigned to buildings and two-thirds to machinery. The total value of existing plant affected by any enhancement of steel costs may therefore be assessed at some 22 crores, or two-thirds of a sum midway between 26 and 40 crores. It was, and I believe remains, the ambition of the jute industry on the Hooghly to maintain a steady ten per cent. increase in the number of looms operating on the river. New construction should therefore, given healthly conditions, be maintained in the region of 4,400 new looms per annum. Calculated on the basis of the over-all capital expenditure now necessitated by the erection of new mills, namely Rs. 9,000 per loom ultimately operated, that rate of new construction would entail the annual expenditure of some Rs. 4 crores *per annum*, of which two-thirds, or 2⅔ crores, would be assigned to machinery mainly of steel composition. Since the war at least two plants have been laid down in India for the manufacture of this machinery. Granted the proposed protection of steel these and all such enterprises for the manufacture of jute mill machinery must necessarily be afforded a protection of their interests proportionate to that assigned to the steel industry or be compelled to close down.

To contend that, because the jute mill industry has enjoyed a prosperous decade, it should be taxed in its capital and replacement outlay in order to assist in the foundation of another industry, is, from the economist's point of view, puerile. The Indian jute mill industry established itself in the teeth of advantages enjoyed by Dundee—advantages the equivalent of those enjoyed, thanks to their long start, by the Lancashire cotton mills as compared with those of Bombay. Many of the earliest jute mill companies were reconstructed at great cost to their promoters and some stood idle for years. As recently as 1912 the jute mill industry paid an American organiser a large fee to examine its then imperfectly organized industry with a view to acquiring, through his investigations, the secret of consistent profit making. It is open to serious question whether, during its earlier period of struggles, the natural advantages enjoyed by the jute mill industry were, in view of India's then backward condition, superior to those enjoyed to-day by the indigenous steel industry. After periods of fluctuating fortune success was eventually achieved by means of drastic economy of management, the husbanding of reserves, the training and nursing of labour derived from great distances and by trade combination. If war-time prosperity played its part in the ultimate success of the jute industry the steel industry in this country can point, in the first decade of its existence, to equal prosperity under war conditions and to comparable profits during

the same period. These jute mills companies which were projected or constructed—as several were—on the basis of machinery costs prevailing in 1919 and 1920 have only their own imprudence to thank for their present position and their promoters recognize the fact and refrain from appealing to public charity now that their position is becoming apparent. It should be added that, secure though the fiduciary position of the mills undoubtedly is, the margin of profit on the four days' working week now prevailing is by no means such as to permit of the reckless taxation of the industry in the interest of other capitalistic enterprises, especially if such taxation takes the form of a Customs duty on machinery and building materials whether necessitated by new construction or replacements. The position of the Bengal jute trade is good but the considerations of national economy urged by the Tariff Commission suggest that its inherent soundness should be utilized in the interest of the maintenance of India's foreign trade balances rather than as the basis of economic experimentation in spheres with which it has no direct connection.

As affording a concrete illustration of the effects likely to accrue to the jute industry from the taxation of steel and of machinery wherein steel is the main component I give the following carefully prepared statistics of constructional and other costs involved in the outlay of a single group · Total capital subscribed Rs. 3,47,50,000 (roughly, 3½ crores). Total original cost of bloc, much of it obviously financed from accruing profits in the course of development: Rs. 7,08,00,000 (slightly in excess of 7 crores). Total original cost of machinery Rs. 3,64,00,000 (roughly 3⅔ crores) Total original cost of steel-work in buildings 60¼ lakhs. On the basis of an annual allowance of five per cent. for depreciation, some 35 lakhs is now set aside annually from trading profits to provide for the deterioration of this plant, of which amount more than half is on account of machinery and steel components of buildings. An easy calculation suggests the additional deduction from annual profits which would be entailed by any *ad valorem* increase of the import duties on foreign steel and machinery. Incidentally these figures suggest a caution against the assumption that the subscribed capital of a successful company necessarily affords an indication of the total capital involved in its operations and hence menaced by Tariff proposals adverse to its prospects. Judged by the group of jute mills to which the above figures relate the total expenditure forming the basis of the operations of the 51 jute mills on the river Hooghly is at least double their subscribed and paid up capital.

In Calcutta's exportation in 1922-23 the second largest contributory item was tea. The total value of tea exports was 15 crores, or 13·3 per cent. of Calcutta's exports in point of value and 7 per cent of India's total export trade. The tea exports were furnished by gardens possessing a rupee capitalisation of 5 crores of rupees (preference and ordinary shares) and reserves of 1¼ crores, and a large sterling capitalisation. The Indian tea industry, founded in 1840, has been responsible for the reclamation of some 700,000 acres from jungle and it gives employment to some 300,000 persons. It supplies—in keen competition with Ceylon and China—some ⅔rds of the total tea importation of the United Kingdom, although under stress of competition from the Java produce it has recently lost its predominent position in the Australian market. Whilst the general progress of the industry has been steady and continuous, it has suffered severe temporary setbacks. So recently as 1920 a dividend was distributed by only 13 rupee companies out of 136 The record of the sterling tea companies in that and the following year was equally deplorable. Every tea garden in Bengal and Assam is dependent upon machinery for the manufacture of its leaf and there appears to be complete unanimity among its promoters in resenting a prohibitive import duty on steel as a potential impost on their own capital and replacement outlay at a time when recovery is being laboriously achieved after a period of disastrous losses. At least one engineering concern, for long associated honourably with the supply of tea manufacturing machinery to

the gardens, is threatened with heavy loss on its Indian investments in the event of the imposition of a prohibitive tariff on steel. The only visible alternative to its severe penalisation is an increase in the tariff charges on such machinery as it exists to provide. The effect of such procedure on the tea industry would be even more disastrous than the mere compulsion placed upon it by a heavy steel duty to resort for its requirements exclusively to European manufacturers.

In the list of Calcutta's exports the semi-industrialised trades in jute and tea bulk large. They contributed in 1922-23 no less than 69 per cent. of the outward trade of the port in point of value. Of the other considerable items, in the list, namely, lac, grains, seeds and hides, contributing among them over 20 per cent. of the port's total export trade, all are "agricultural" in character and the same is, for the most part, true of the items which together compose the remaining eleven per cent. of Calcutta's foreign exports. In the whole field of Indian exportation the facts are not dissimilar except that the jute and cotton trades supplied respectively (in 1921-22) 24 and 19 per cent. of the whole (248 crores) followed by hides 12 per cent., seeds 8 per cent., tea 7 per cent., grains 5 per cent., and a miscellaneous remainder 25 per cent. The possible influence of dear steel on this colossal agricultural industry will demand consideration later. Meanwhile there calls for treatment an important trade, essentially industrial in its aims and organization, which in the past has bulked considerably in the outward commerce of Calcutta and the inward commerce of Bombay, Madras and Karachi, and which itself constitutes, together with iron and steel, an all important factor in the basic process of distribution. "An abundant and cheap supply of coal," wrote the Indian Fiscal Commission, "is the foundation of future industrial progress in India. . . . This is one of those cases in which we are convicted that the protection of the basic industry or raw material would not be to the advantage of the country as a whole. Cheap coal is essential to industry and we are not prepared to recommend any measures which will make coal dearer." India's coal supplies are derived in the main from the coal-fields in Bengal and Bihar and Orissa. In the five years preceding the war India's reliance on imported foreign coal was limited to an annual average of 427,000 tons or 250,000 less than the average annual exportation of Indian coal. In the same five years the average annual production of coal from Indian pits was 15½ million tons, slightly less than which quantity was actually consumed in this country. The average value of a ton of Indian coal at pit's head in the pre-war year was Rs. 3-9. By 1919 the annual output of coal from the Indian pits had risen to over 22½ million tons, in part owing to the disappearance of competing foreign supplies—these in 1919 had fallen below 50,000 tons—but in part also to the growing demand for coal proceeding from the railway and indigenous industries. Of the 22,500,000 tons produced in 1919 only half a million tons left the country. The large balance, *plus* the insignificant foreign importation already mentioned, went wholly into domestic consumption. The result of the steadily expanding demand was a considerable rise in average pit head prices from Rs. 3-9 in 1914 to Rs. 4-8 in 1919 and an almost panicky apprehension, nowhere more prevalent than in official circles concerned with railways and industries, of a serious shortage of coal supplies in the near future. This apprehension was emphasized by the inability of the railways, greatly impaired as their efficiency and carrying capacity had become as a result of the war's depredations, to cope with the traffic demands both of a coal output enhanced by some 30 per cent. in six years and of an indigenous industry then showing apparent signs of rapid development. The immediate result was a stiff rise in the price paid for coal deliveries. Long term Railway Board contracts provided for the average payment of from nine to eleven rupees for first class coal as compared with a third of that price before the war. The Deshargarh quotation in Calcutta which, at the opening of 1914, had stood at Rs. 6-8 per ton and which still stood in 1919 at a similar figure, had risen in the early part of 1921 to Rs. 17-8. In Bombay the parallel rise—assisted by a cent. per cent. increase in the pre-war freight charges of Rs. 5 per ton, Calcutta

to Bombay—had been from Rs. 16-8 to Rs. 38. On the railways whose coal consumption in 1922-23 exceeded six million tons, or nearly one-third of the entire output of the Indian coal-fields, the result of rising prices is seen in the fact that the average cost per ton of coal utilized on the broad gauge railways rose from Rs. 10-8 in 1913-14 to Rs. 16-6 in 1922-23 and on the metre gauge lines from Rs. 13-5 to Rs. 23-7 per ton. In the present year the railways' coal supplies, even allowing for an "arbitrary cut" of one crore of rupees on Agents' demands, are estimated to cost 8¾ crores, as compared with a total cost at engine shed in 1913-14 of 5¼ crores. As regards the small, new industrial concerns which, to the number of nearly one thousand, sprang up at this time in Bengal with a total authorised capital of 140 crores, it is certain that the enhanced cost of coal and the extreme difficulty of obtaining it played an important, if not a decisive, part in the fate of those companies, some three-fourths of which are now already dead or seriously moribund. Among the causes to which their decline of profits is attributed by the Tata Iron and Steel Company is to be found precisely this rapid enhancement of coal prices—in their case from Rs. 4-2 per ton in 1916-17 to Rs. 9-3 in October 1922—from which they in common with all other industrial undertakings suffered.

Unfortunately high prices entirely failed to produce the effect on coal output which it was hoped that they would produce. Production fell away from the maximum of 22½ million tons reached in 1919 to some 18 million tons in the following year, followed by a rise to 19,300,000 tons in 1921. Production again showed a slight rise in 1922 but a decline of raisings is now again said to be evident. The decline in 1920 was explained in part by the deterrent effect produced on colliery raisings by wagon shortage and inevitable transit delays and in part by the deterrent effect produced on labour by political agitation and the concession of higher wages. Writing in 1921 Mr. Ainscough asserted that the "output of the Indian collieries had been steadily declining *pari passu* with each advance in wages" and that the "essential industries" of the country were suffering severely from curtailment of their normal supplies. The effect of this reduction of output on domestic prices for coal was enhanced by a sudden revival of the foreign export trade in 1920 to a figure of 1¼ million tons valued at 157 lakhs—the largest in the history of the Indian collieries. The extreme domestic shortage led to a total official prohibition placed on the export of Indian coal (now, it is true, removed but still operative owing to high costs of production and transit to the chief sources of foreign demand, namely, Ceylon and the Straits Settlements) and to the re-appearance, in Indian markets, on a scale never contemplated since the eighties of last century, of foreign coal. The importation amounted in 1921-22 to 1,489,282 tons (of which Bombay took 1,116,000 tons) valued at 578 lakhs of rupees (nearly 40 rupees a ton) and in 1922-23 to 881,810 tons valued at 309 lakhs of rupees. During the first six months of the current year foreign coal importations amounted to 337,258 tons valued at 94 lakhs Natal has been, and remains, a leading beneficiary of this Indian coal shortage, her imports amounting to 339,000 tons in 1921-22, to 253,720 tons in 1922-23 and to 143,000 tons in the first six months of the present year. The United Kingdom's share amounted to 700,000 tons in 1921-22 and 500,000 tons in 1922-23 Of the dear imported coal the main consumers have been the Bombay mills—which, aided by a 7½ per cent. net protection against the foreign piece-goods manufacturer, have shifted the incidence on to the Indian consumer of piece-goods—and the railways. Allowance must be made for the utilisation of the dear imported coal in considering the figures of increased prices for railway coal quoted above. The Inchcape Committee, from whose Report those figures are taken, mentions that in 1921-22 imported coal used on the G. I. P. Railway cost Rs. 52·75 per ton delivered at the engine shed as compared with Rs. 14·47 per ton for Indian coal. Recently for Natal coal the Bombay mills have been paying between Rs. 26 and Rs. 29 per ton, whose successful competition has been assisted by a special freight concession of seven or eight shillings a ton made by the Natal Government over its land lines.

The inability of the Bengal collieries to compete in Bombay at the prices mentioned is eloquent, however, of the unsatisfactory nature of the Indian coal position at the present time. The price in Bombay before the war of a sea-borne Bengal coal superior in quality to that now arriving in Bombay from Natal was from Rs. 12 to Rs. 15 a ton. Pit head prices in the coal-field have trebled and, to a large extent at least, they reflect enhanced cost of materials, labour and overhead charges. Freight charges from the coal-field to the Calcutta docks have risen some fifty per cent. Port charges are higher and the steamer companies' freight rates (Calcutta to Bombay-Karachi) have risen from the pre-war figure of Rs. 4 or Rs. 5 per ton to Rs. 10-8 or Rs. 8-0 (according to Collector of Customs' last report). Owing to the exigencies of their own unsatisfactory financial position, the railways profess themselves entirely unable to restore the pre-war concession for "export" coal and even the prospect held out to them of a total sea-borne traffic exceeding 3.000,000 tons per annum for foreign and domestic ports leaves them adamant. It is to be noted that the problem of the success or failure of the Bengal collieries in their competition with foreign coal in Bombay turns on a difference of at most Re. 1-8 a ton. Granted a flat rate railway freight of Rs. 2-8 a ton from all the coal-fields to the Calcutta docks (as compared with Rs. 4-8 and Rs. 3-12 now prevailing in the case of the two principal fields) foreign coal would disappear to-morrow from the Bombay market. This would operate to the great advantage of the Indian collieries—who would much prefer a natural expansion of markets and output to the precarious official patronage on which their prices, and their limited prosperity still largely depend—and of the Indian railways, of the port of Calcutta and of the Bombay merchant.

The official list of joint stock colliery companies at work in India on March 31, 1921, included 256 companies with a total authorized capital of 16 crores, of which some 9½ crores were paid up. The reserves of these companies amount to at least 7 crores fully employed in the process of development or in providing banking facilities, etc. A concrete example taken from the statistics of a large operating group will best show the position of these companies. The group in question has an ordinary and fixed interest capital of 148 lakhs. From first to last it has expended 405 lakhs on its block (original cost). Of that block expenditure, 123¾ lakhs was devoted to machinery. The total raisings in an ordinary year are in the vicinity of 1¼ million tons. Depreciation is allowed at the rate of ten per cent. on ordinary and 7½ per cent. on electrical machinery, calculated on original costs. The total depreciation to be provided from working profits is therefore 12 lakhs, representing some 11½ annas per ton of coal raised. If the cost of replacing colliery machinery is to be artificially enhanced by serious tariff differentiations against foreign steel, block revaluation will become necessary in the case of every colliery company, and concurrently with such revaluation, the depreciation allowances made from trading proper will necessarily undergo enhancement. A 33⅓ per cent. enhancement of replacement costs under the heading of machinery in the multiple concern described would entail an additional annas 3·81 per ton on raising costs for depreciation alone, apart altogether from the purchase of machinery for extensions, repairs and renewals which, as is proved by the difference between total paid-up capital and total original cost of block, is always in process.

Of the precise effect likely to be exercised by high steel prices on capital development in the older coal-fields and in the vast new coal areas awaiting development it is difficult to speak with precision. The figures given above prove that of total outlay on colliery development over a long term of years nearly one-third has in the past been devoted to the purchase of machinery. At the present time the proportion is growing. In the future it may grow, increasingly larger. Costs of machinery and constructional steel are themselves higher than ten years ago and no lesson of recent colliery development in India is clearer than that large scale success can be won only by the large scale development of mechanical processes in substitution for, or at least as

a supplement to, the increasingly unsatisfactory labour supply. No one in the coal-field believes that, for many years to come, it will be possible—quite apart from the question of cost—to rely on Indian steel factories for all the multitudinous contributory details of cutting, hauling, winding and despatching plants To rely at the present time on Indian steel for even a modicum of colliery requirements entails an infinity of delay, of waste and of exasperation. Meanwhile colliery expansion in India must proceed and costs must be reduced unless the existing stagnation of railway and industrial development is to be prolonged indefinitely. As the Indian Fiscal Commission clearly saw, the colliery industry is "basic" to a degree which is denied even to the railways and the ports, and much more to the steel industry. Steel can be procured from Europe with facility at prices which, at the present time, compare favourably even with pre-war prices and in the quantities demanded by India, whose consumption in a single year under the heading Iron and Steel has rarely exceeded one million tons. On the other hand, India's coal consumption is already in the vicinity of 20,000,000 tons as compared with some 16,000,000 tons in 1914 and prices are at a level which imply the perpetual starvation of industries and of the domestic consumer and the imposition of an inordinate burden on the railways and general industry of the country, to say nothing of the fact that such prices facilitate the successful competition with Indian coal of coal from ports some hundreds, or even thousands, of miles distant India, in the words of the Fiscal Commission, needs an "abundant and cheap supply of coal" above every other industrial desideratum. Next in importance to that necessity comes the need for railway expansion and it is a peculiarity of the Indian problem that neither colliery nor railway development is possible unless the two proceed in strict co-ordination with one another To retard or jeopardise either of them in the interest of the development of a raw material, however important, would be to defy the clear injunction given by the Fiscal Commission and to disregard the warnings as to the inadequacy of India's coal supplies and transit facilities which have proceeded from so many first class authorities during recent years. If India can once again be assured of cheap and plentiful coal and cheap and adequate railway facilities, her economic future is safe. So far as concerns the material side of India's equipment the time will then be fully ripe for the energetic development of mineral resources whose large scale exploitation under existing conditions can apparently be achieved only at the cost of prodigious sacrifices to all pre-existing economic interests.

In considering the effect on colliery development of the encouragement of the indigenous steel industry allusion must be made to the fact that the Tata Iron and Steel works are already utilizing one and a half million tons of coal in the production of iron and steel. Apprehension undoubtedly exists in the coal-field as to the effect on coal prices of the closing down of the Tata concern and the sudden "dumping" of its coal consumption on to the Indian market. Temporarily, the effect on prices would be serious from the point of view of the colliery interests although it is not less certain that industry in general would stand to profit by the fall Undoubtedly this is not the kind of "development" by which it is desirable to bring about that reduction of fuel costs and railway maintenance which Indian industry sadly needs. The ideal method is the provision of ample railway and port facilities, conducive to the development of new coal markets, the steady expansion of colliery output and the cheapening of raising costs by the progressive utilisation of labour-saving processes. By such means the welfare of the coal industry and of the consuming public will undergo parallel development. The sudden contraction of coal consumption, on the other hand, would involve a benefit to a large fraction of the consumers at the expense of a smaller fraction, and of the whole colliery industry. In the general interests of the coal trade, however (no less than of the country's industries as a whole), it appears infinitely preferable to face an immediate contraction of consumption by 1½ million tons than to sanction a perpetual tax on colliery and railway interests at the behest of a single enterprise—unless it can be proved beyond

shadow of doubt that such enterprise can speedily become self-supporting at a negligible cost to the community.

The return of large industrial establishments in India (1923) gives particulars of engineering works under at least four different headings. Under the heading Minerals, Bengal is exhibited as giving employment to 10,000 persons (cf. 5,000 in the case of Bombay) under the sub-heading "Iron and brass foundries." Under the heading Transport, Bengal is shown as giving employment to 52,000 persons (cf. 38,500 in the case of Bombay) under the sub-headings dockyards, railway workshops and shipbuilding and engineering works. Under the heading "Process relating to new stone and glass," Bengal is shown as employing some 4,000 workers (cf. Bombay, 1,100) in motor repair workshops. Finally, under the heading Miscellaneous, Bengal's general engineering workshops are shown as giving employment to 21,000 persons (cf. 4,000 in the case of Bombay). In all these shops and in many others in the long miscellaneous list which of itself accounts for 85,000 industrial employees in Bengal the entire factory procedure depends upon the employment of steel machinery. In many, if not the majority, steel is also the raw material of which the factory's ultimate product is composed. By several of the latter class direct representations have been made to the Tariff Board with the object of safeguarding their immediate trading interests in so far as those are affected by the prospect of dear steel. Special allusion is desirable, however, to the group of 24 "engineering and metal works" which find a place in the list of companies registered, and mostly operating in or near Calcutta. These companies possess a combined paid-up ordinarily capital of rather over 3 crores. Their reserves, if the old established concern of Messrs. Burn & Co. be included, exceed 2½ crores. These companies (excluding the few old established ones among them) are of interest mainly as constituting, together with a considerable number of miscellaneous concerns spread over the whole gamut of industrial activity, the last visible token of one of the most amazing booms in company-promotion of which economic history has record. New flotations in this province in 1919-20 numbered 514 with an aggregate authorised capital of 103 crores. In 1920-21 they numbered 436 with an aggregate authorised capital of 36 crores. In Bombay new companies saw the light with a total authorised capital of 203 crores. In the two presidencies together liquid capital or promises of liquid capital to the amount of £225,000,000 were forthcoming in two years for the purpose of industrial development. The Bombay flotations included a large number of banking, insurance and shipping projects framed often on the grandiose scale, which is the bane of economic development in the Western Presidency. The thousand new flotations in Bengal were mainly small industrial concerns, which aimed at the intensive employment of indigenous raw materials and the training and utilisation of indigenous labour, operating on modern principles with western machinery under foreign superintendence. For the most part the Bengal concerns—unlike many of those started in Bombay—either utilised their whole capital from the commencement or called it up before the futility of their efforts was realised. At the present time the great majority of the new miscellaneous flotations in Bengal are either incurring a daily and weekly loss by their operations or have already gone into liquidation. To obtain an appreciation of the reasons underlying their failure the Tariff Board could scarcely do better than invite as a witness one or other of the expert chartered accountants who are now everywhere engaged in the liquidation process. The Board would discover more than one analogy between the present position of some of these companies and that of the Tata Iron and Steel Company. Possibly in every case the *causa causans* of the waste and disappointment resulting from the company boom in India was the disproving of the notion entertained by the promoters that war-time prices would endure and that one of the chief factors in producing them, namely, State supersession of the ordinary processes of economical distribution, would in some degree at least be permanent. War-time prices disappeared and the State itself was forced back on to a policy of strict economy which rendered impossible its artificial support of the new concerns, many of which had been

brought into existence through its direct encouragement. The new concerns, although confronted by falling commodity prices and the absence of Government orders, found themselves at the same time the prey of rising labour costs, of greatly enhanced freight rates and of coal deliveries which were at once dear and uncertain. Money rates went against them when banking accommodation was desired and for many the high exchange rates of 1920 were alone sufficient to give them their quietus. A certain number survive, but generally speaking experience has shown that no degree of application or skill can enable a company, once launched, to triumph over fundamental miscalculations as to the extent of its potential market, the cost of production and the course of prices. Splendid machinery may have been assembled and first class experts have been engaged but both are to no purpose failing that direct correspondence between supply and demand which is the basis of all successful trading. It is for this reason that the "one man concern," laboriously developed from minute beginnings and expanded only in response to definite opportunity, so often shows a resistance to commercial depression which is greatly superior to that exhibited by the ready-made factory equipped according to the developed principles of Birmingham or Glasgow. It is to be observed that company failures in Bengal have proceeded from causes some of which are identical with those whereto the Tata Iron and Steel Company ascribe their decline in profits and there is at least a *primâ facie* case for inquiring whether the original calculations—or in the case of the Tata Company the calculations underlying the war-time schemes for "greater extensions"—were not equally at fault in both cases. Of the numerous companies liquidated in Bengal, it is to be noted that rarely has the smallest effort been made to save them. By way of example mention may be made of company with a ten lakh capital and fifteen lakh block expenditure on some of the finest machinery ever brought to India. It has disappeared from the company list and I am informed that not a single offer of one lakh was forthcoming from a purchaser willing to operate it. The company's aims had no correspondence with permanent Indian industrial and economic conditions—costs, wages, markets, transit facilities and so forth—and only practical desuetude and abandonment met the case. Failing the certainty of ultimate achievement, accompanied by large rewards for intervening failure, the only economical policy was to "cut the loss" and cut it quickly. The case is not materially altered whether the guarantors of the concern be a private company or the tax-payers of a country. To justify industrial survival in such circumstances indisputable and independent expert evidence of the power to survive, and to survive under Indian conditions, is necessary. Meanwhile the sustained efforts now being made by the survivors of the industrial boom justify their insistence that no unnecessary additional burden shall be imposed upon them at the dictation of an undertaking whose difficulties differ from their own in degree rather than in kind. A prohibitive duty on foreign steel, unaccompanied by a compensating duty on the products of these small engineering firms, will go far to extinguish the last lingering hope that Indian industry may have derived some permanent incentive from the enormous outlay of capital during the period 1919-1922.

Among the interests which must necessarily be influenced by taxation affecting the cost of a commodity which the Tata Iron and Steel Company describe as the "basis of our existing civilization" and the "raw material of all industries," detailed mention has still to be made of one, the greatest, namely, agriculture. The Indian Fiscal Commission spoke of its "predominant importance." This it described as constituting the "outstanding feature" of India's present economic position. The Commission went further when it said that agriculture "is, and must remain, the foundation of the economic life of India, and this not merely because it furnishes the livelihood of three-quarters of the population. Indian industries cannot flourish without a prosperous agriculture. Agriculture is largely the provider of the raw materials for industry and the Indian agriculturist will offer the main market for the products of Indian industries. Any form of protection therefore which would seriously affect the industry of agriculture would go

far to defeat its own object." The Commission emphasized the fact that, at the census of 1911, the number of persons returned under the heading of ordinary cultivators, farm servants and field labourers and growers of special products was 210 millions, of whom 46 per cent., or some 96 millions, were actual workers, whereas those employed in industrial establishments in 1919 were on the average only 1,367,000. The industrial workers were thus equivalent, the Commission remarked, to not much more than 1 per cent. of the agricultural workers. The impress of these facts appears on every branch of Indian economics. With the exception of manufactured jute, constituting 35·87 of the exports of the port of Calcutta in 1922-24, there was scarcely another considerable item in the Calcutta export list but fell within the description of "purely agricultural." Metals, ores and saltpetre contributed among them some three crores to a total of 100 crores. In the list of Indian exports for 1922, the sections "Food, Drink and Tobacco" and "Raw Materials" represented a value of 155 crores out of a total exportation valued at 231 crores. Of that value all save some three crores, referable to metallic ores, coal and liquors, was the direct outcome of agricultural industry. To the total of 66 crores assigned to "Articles wholly and partly manufactured" the great semi-agricultural industries of jute and cotton contributed nearly 46 crores and hides another 4 crores. Of India's total exportation in 1921-22 valued at 231 crores it is doubtful whether 23 crores, or ten per cent., could have been exported without the instrumentality of the agriculturist He it is who, with truth, may be said to provide the medium which alone renders possible India's commercial exchanges with the outside world and on him must fall the loss and inconvenience of any violent disturbance of the existing adjustment of India's foreign trade. He, too, is the "unfrowning caryatides" who, since the recasting of the financial system, sustains almost the whole burden of provincial taxation. Moreover, since he is poor--the average aggregate income of the agricultural classes is believed to fall somewhere between the extreme limits of Rs. 30 and Rs. 60—it is axiomatic that anything resembling a natural disaster or involving a sharp reversal of economic policy or implying a heavy increase of taxation charges must affect him closely and severely. To the steady reduction of land revenue charges and the elimination of the worst consequences of defective crops through the improvement of communications and the spread of irrigation he owes the relative prosperity which he enjoys to-day. His main hope for the future lies in the maintenance of land revenue charges at a low level and in the further increase of the net return to his labour through the improvement of his methods of agriculture, through the continued spread of irrigation and through the opening of ever larger and brisker markets for his produce by the extension of the railway system. How, it may well be asked, is the prospect of dear steel calculated to affect the cultivating classes, whether its influence on their prospects be direct or indirect?

Under the heading of direct influences it is to be noted that from the primitive *kodali* and the tire of his bullock-cart to the steam plough and tractor, iron and steel are components in almost every implement of the cultivator's trade. In thousands of smithies throughout the country they are the raw material of every operation. In every district the agents of the Agricultural Departments, working against the odds constituted by rigid custom, are busy popularising the oil pumping plant and the mechanical plough, crusher, thresher, and tractor. That, given protection, the indigenous steel industry hopes to invade this market is proved to demonstrate by the existence at Jamshedpur to-day, under the wing of the Tata enterprise, of the subsidiary Agricultural Implements Company, Limited. Of the analogous companies subsidiary to the Tata enterprise one has already demanded a protective import duty of fifty per cent. *ad valorem* against the commodity which it manufactures. This demand it has attempted to justify as a counterbalancing force necessitated by the proposed enhancement of the price of steel which constitutes the raw material of its operations. Nothing is now certain than that the artificial inflation of steel prices in India will prompt a similar demand from the Agricultural Implements Company—and, indeed,

from all Indian domiciled concerns engaged in the provision or repair of agricultural machinery or implements—under menace of the certain alternative of their disappearance beneath the weight of European competition Similar protection will probably be demanded by manufacturers of the galvanized sheets (corrugated) which, for every purpose connected with the construction of houses and farm buildings, are in demand from Peshawar to Dacca. Of this corrugated sheeting the imports totalled in 1920-21, 57,000 tons valued at 2½ crores; in 1921-22, 75,000 tons valued at 2¾ crores; in 1922-23, 108,000 tons valued at 3¼ crores; and in the first six months of the current year, 64,000 tons valued at 2 crores.

In a sense which is wholly direct the proposed exclusion of foreign steel may be expected to react with special disadvantage to agriculture through its effect on irrigational processes and canal construction. At the end of 1920-21 irrigation canals constructed under official supervision totalled 55,000 miles. The area irrigated in the previous year exceeded 28,000,000 acres Works now under construction will add an additional 4,000,000 acres to the total while sanctioned projects (excluding the Sukkur barrage) will add another 3¼ million acres. The area to be influenced by the Sukkur barrage exceeds the whole of Egypt in extent. The total capital hitherto invested in Government irrigation is £79,000,000. Between 1900-01 and 1920-21 the average expenditure on new irrigational construction totalled £1,750,000 a year. Although £19,000,000 of the capital expended has been sunk in protective and minor works, the net yield to total capital invested was at the rate of nearly eight per cent. It is calculated by experts that some 25 per cent. of the whole cropped area in British India is benefited and protected by Government irrigation works. In the vast area watered by the Indus and Sutlej the construction of perennial, as opposed to mere inundation, canals has scarcely been commenced. The sum of £10,000,000 could be laid out immediately in that area alone on the construction of permanent barrages, the main component of which would be steel constructional work The only obstacle has long been found in the problem of financing the necessary capital expenditure. Every artificial increase of the expenditure necessary must delay *pro rata* the inauguration of these beneficent works.

But it is in their general effect on the cultivator's prosperity that high steel prices most urgently demand consideration As was remarked by Mr. Peterson of the Tata Company in his general evidence before the Indian Fiscal Commission, iron and steel are the "raw material of all industries as without them practically no manufacturing plant could be erected and no efficient means of transport could be devised" Wherever and whenever the price of iron and steel has been artificially raised by fiscal exclusion and the artificial encouragement of home manufactures there has commenced a general rise in commodity prices and wages which sooner or later has compelled the country conducting the experiment either to embark on the intensive wooing of foreign industrial markets (as in the case of Germany and America) or drastically to restrict the population (as in the case of Australia and to a less degree in the case of Canada). If it be once conceded—as I think it must in view of the basic nature of the iron and steel industry and its relation to all forms of transit and manufacture—that a general advance in prices may ensue on its protection, then the effect of such a rise of prices in India must be considered in its relation to the interests of the vast mass of the people—of the agricultural classes numbering 210,000,000 and of the agricultural workers numbering 96,000,000. As was emphasised by the Indian Fiscal Commission, the "great mass of the people in India are poor." "We have throughout our inquiry borne this in mind," wrote the Commission. "Our general recommendations have been framed with a view to confining the sacrifice which must be demanded of the Indian consumer within the narrowest limits possible." Unfortunately the limits of the Indian agricultural consumer's purchasing power are already so narrow that there is no wide margin for additional sacrifice. Among the poorer and most numerous classes the cultivator and his family consume all or almost all the grainstuffs which they grow or, alternatively, they exchange their raw textiles for

foodstuffs the whole of which they consume. A general rise in prices will affect this class through the prices of its agricultural tools, the costs of renewing and repairing them and so forth at the smithy, through the prices of the scanty clothing which it can afford to buy, and through the increased dearness of brass, enamel and galvanized articles, the expansion of the demand for which is one of the clearest evidences of the slowly advancing prosperity of the humblest classes. Higher in the agricultural scale is the cultivator whose labour contributes directly to the production of that surplus of foodstuffs which goes far to account for the magnitude of India's foreign trade, or the returns from whose sales of raw fibre are considerably in excess of the sum required annually to provide himself and his family with the bare necessities of life. As regards the class which furnishes the surplus of grains it is to be remarked that, vast though it is, its output, regarded economically, is strictly a surplus. Of the grains produced in India it is believed that two-thirds at least are used for the satisfaction of the needs of the population in the immediately ensuing season, while, world prices and transit conditions being satisfactory, one-third may find its way into the export markets. It will find its way thither in full measure only if the Indian crop is plentiful, if the price obtained in the previous season appears to the Indian cultivator to be sufficiently remunerative, and if (in the case, *e.g.*, of cotton and wheat) Indian quality and prices conform to the world's demands. Almost all these desiderata depend for their progressive realisation on the improvement of Indian agricultural methods and the extension and cheapening of transport facilities. Dearness of steel will go far to check the adoption of all enlightened agricultural devices. It will increase the cost of every repair and of every job done in the country's innumerable smithies. It will enhance the cost of transport over the long Indian land leads which count for so much in the competition between India's produce and that of countries whose commerce is mainly sea-borne. It will indefinitely retard the progress of irrigational development and enhance existing irrigation charges. It will tend further to lower the already declining standard of road and bridge construction due to restricted District Board resources and the great increase in costs of labour, and of materials, such as steam-rollers, etc. Finally, as already suggested, it may, through its operation in restriction of iron and steel importation, set up against the foreign importer and in favour of India a balance of trade so strong as to affect adversely to the foreigner the cost of the rupee exchange. If this happens Indian commodities will cost the foreign consumer more in terms of his own currency. In that event nothing can be more certain, in the present condition of the world's markets and finance, than a decline in foreign demand for the Indian agriculturist's output, for it may be doubted whether any economist would now seriously contend—as was contended three years ago—that whether the value of the rupee be fixed at 1*s*. 4*d*. or 2*s*. the foreign demand for India's staples will remain constant in the long run. As far as can be foretold, foreign demand would decline, the surplus of India's crops would decrease in magnitude and the prosperity of the surplus-producing class on which depends so much of India's chance of material and moral progress would be jeopardized. The harmful reaction of such a development alike on the progressive improvement of Indian standards of comfort, on the expansion of internal markets to which such improvement contributes and on India's foreign export trade would soon become apparent. India's continuous progress, alike moral and material, is closely related to the prosperity of the middle and upper—or surplus-producing—classes among the cultivators. On their prosperity depends the chance of modernizing the system of agriculture. On their prosperity and financial co-operation depends the hope of establishing a widespread system of education. It is difficult to perceive from what source they could hope to obtain compensation for detriment suffered under a régime of one-sided and premature industrialisation. If, through the attraction of population to the industrial centres, agricultural workers would be relieved of the obligation of feeding many hungry mouths, it is not less true that the development of industry would tend to raise the cost of all hired labour and to promote standards of living which, granted a decline of

agricultural prosperity, would be more than ever beyond the reach of the agricultural population. Viewed in relation to its vast mass, the agricultural population would be but slightly reduced although it might gradually be permeated by a discontent which, owing to lack of industrial aptitude and of educational opportunity, could only be very slowly transformed into contentment by the process of industrialisation. Before India proceeds to the drastic step of excluding cheap supplies of the "raw material of all industries" it were well that she should reflect on the fact that considerations of her future destiny cannot be divorced from considerations of her past history. As with England, so with India, long continued prosperity realized along fixed lines of development, has brought into existence a teeming population, whose necessities and interests and aptitudes cannot be ignored in any change of economic orientation.

The probability that loss and disturbance will be occasioned by higher steel prices scarcely demands discussion in view of the Tata Iron and Steel Company's description of their product as "the raw material of all industries." That it will be widespread demands no more convincing proof than the admissions of Mr. Peterson on behalf of the Tata Iron and Steel Company in his note relating to "compensating protection." (Tata Statement No. XI.) Already, he explains, one-tenth of his Company's output passes into the hands of the small industries such as blacksmiths and wheelwrights. "In the case of such industries," he admits, "a protective duty will increase the price of the article produced by the amount of the duty." That duty, also according to his admission, "will be borne by the ultimate consumer." The same conditions will apply, according to the same authority, whenever the article manufactured is "not commonly imported in standardized form and in large quantities," while in some cases in which large importation in standardized form proceeds *pari passu* with indigenous manufacture, a substantial handicap will occur which will necessitate the protection of the indigenous manufacturer on a scale "at least equal to the increase in cost caused by the duty placed on steel." In some instances it is hoped, under a régime of protection, to extract the steel manufacturer's additional profit from the indigenous operator's "very large margin of profit." but generally speaking Mr. Peterson admits on behalf of the steel interest in India that the consumer will pay—an admission in general accordance with the popularly accepted impression of the effect of protectionist duties on commodity prices.

Generally it is contended on behalf of those who advocate the protection of industries that its inconvenient effects will be more than counterbalanced by work for all at high wages. Apparently no claim such as this is advanced —save in very indirect form—by the existing steel manufacturing interest in India. The prosperity of the American steel industry is cited as an inspiration for India, but on the specific point of a wages advance even for the labour directly engaged in steel production, it is contended that already wages in the industry are too high. Among the causes of the increased costs of steel production in India since 1916-17 Mr. R. D. Tata (see letter to Government of India, dated October 23, 1922) cites a rise in labour costs by over 50 per cent. "We are endeavouring, as the Government is aware," Mr. Tata proceeds, "to reduce wages at our works but we are faced with the same problem that to-day meets all Indian manufacturers, and the process must be gradual. Labour is not organized or educated in this country. We believe that it will be admitted by Government that the wages paid by the railways are at present too high, but that it is impossible to reduce them except slowly and by gradual degrees because any such proposal would involve an immediate strike." Evidently, therefore, the mass of consumers is unlikely to receive in India the form of compensation for high prices which is often dangled before them in protectionist countries.

Justification for the protection of the steel industry and the increased cost of living and production which it must entail is sought in other directions. Among them is the fact that iron and steel are the "nation's first

line of defence " and stress is laid on the Indian Fiscal Commission's recommendation that favourable consideration shall always be given to the needs of nascent or growing industries which are essential to the security of the country. While the argument is an important one it is scarcely convincing as a plea in favour of the derangement and possible stultification of industries whose requirements were responsible in 1921-22 for some thirty per cent. of India's total importation and which, as is admitted, extend downwards from railway construction and bridge-building to the repair of the simplest agricultural tools. India has survived the greatest war in the world's history and the indigenous steel contribution to her own and the Empire's defence was limited during the whole war period to 290,000 tons (cf. the world's total output:—1913, 74½ million tons; 1920, 68½ million tons; 1921, 41 million tons). At present India relies, and for at least thirty years to come will continue to rely on extraneous help in the officering of her land forces. For the whole of her seaward protection she relies on a non-Indian Navy. While it is clearly desirable that India should ultimately be able to defend herself, it is not less evident that the process of acquiring self-dependence must be fairly prolonged. There is thus no case, on grounds of defence merely, for the extortion from the consumer of excessive sacrifices to secure a possibly disproportionate advance in what, at most, is only one phase of India's ultimate problem of self-defence. If reasonable progress in the Indian steel industry is assured the requirements of the case will be fully satisfied.

An attempt has been made to justify the special treatment of the steel industry on the ground of sacrifices already made by it in the public interest during the war, and of savings now being effected, and until 1927 to be effected, on public (railway) contracts extending to the delivery of some 90,000 tons of Indian rails and fishplates per annum. Whether or not the total of these benefits be valued at twenty crores or less, and whether or not it is true that good value has already been returned for a large proportion of them, they supply inadequate justification for the infliction of heavy burdens, in permanence, on particular branches of the country's industry. Based on present costs the steel importations of the country, even excluding machinery, railway material and hardware, may be valued annually at not much less than 15 crores. Granted a tariff of 33⅓ per cent. *ad valorem* on this importation, the ultimate annual sacrifice to the country, if all the steel now imported be manufactured in Indian factories, will total 5 crores per annum. Other rates of duty will involve sacrifices *pro rata*. If the country's gratitude for past favours is to be the inspiring motive of the proposed protection it were better that it took the shape of a guarantee of Government orders, for a term of years only, the price paid to be based on strict costing processes in the factory concerned and to be limited to a maximum price.

In the main the arguments in favour of the protection of the Indian steel industry are based on allegations that foreign steel is being dumped in India at something less than cost of production in the country of origin and that the effect of this process, if prolonged, must be the elimination of the existing Indian steel industry and the destruction of almost the last hope of its reappearance. So far as can be observed this argument is based on little else than the fact that, while costs of production in India's only steel factory have risen steadily since the war in every branch of its activity, the costs of production of European steel producers have been subjected to the exactly contrary process. It is to be observed that, as recently as 1918, the Directors of the Tata Iron and Steel Industry believed that for the period 1920 to 1926 the price of Rs. 122-8 per ton (slightly over £8) would afford them adequate remuneration for the supply to the "Palmer" group of railways of 33,500 tons of rails annually, while a year later they were still content to conclude with the Railway Board a contract based on Rs. 130, or considerably less than £9 a ton. The average cost of rails produced at the Tata factories had risen in 1922-23 to Rs. 186 (some £12-8) but the price charged f.o.b. by the British and Belgian producers had meantime been reduced to a figure justifying a price which bears a striking resemblance

to that which, on Messrs. Tata's own previous calculation, was likely to prevail at the present time but which they now describe as a "dumping" figure. Both the reason and the means adopted for the reduction of English prices may be sought in the speech of Lord Furness in submitting the accounts of the Cargo Fleet Iron Company for 1921. After referring to the fact that British steel selling prices were then at £8-10s. per ton as compared with £7 in 1913, and alluding to the increased costs of coal, transit and so forth, Lord Furness continued, "In the depressed state of trade that exists to-day we must stimulate demand by cheaper prices; consequently the moral of these figures is east *very considerable reductions are imperative in the near future both in coal prices and railway rates* if our industry is to recover its position in the markets of the world." That policy has been pursued consistently in the chief steel-producing countries of Europe. Labour, coal and transit costs, as well as wages and taxation, have been progressively reduced while in India the process has been the reverse or, at best, the elements of cost have remained stationary at or near the inflated figures current during the war, or during the post-war boom. Between 1916-17 and 1922-23 the average cost of production of pig and scrap at Jamshedpur has risen in steady and unbroken progression from Rs. 29·46 per ton to Rs. 55·62 and during every stage of the process of converting iron into steel an enhancement of costs, greater or less, has been in progress. Thus during the conversion of pig into steel rails labour (producing) costs, which in 1916-17 stood at Rs. 13·99 per ton of rails produced, stood in 1922-23 at Rs. 17; gas producers accounted for Rs. 13·52 as compared with 5·51; steam for Rs. 7·86 as compared with Rs. 2·42 and interest charges for Rs. 17·02 per ton of steel, as compared with Rs. 2·71. The "all in" cost of rails rose from Rs. 110 in 1916-17 to Rs. 186·75 in 1922-23 or Rs. 175 if allowance be made—as it should be—for the long strike. In July 1923 "all in" prices were still rising and stood at Rs. 179·39 per ton although no strike has recently occurred. The figures of world production which I have already quoted go far to disprove the assertion that over-production on a large scale is influencing the dumping of iron and steel in India's market, the restricted capacity of whose total importation (1913-14, one million tons; 1920-21, 711,000 tons; 1921-22, 612,000 tons; 1922-23, 746,467 tons) is obvious. The world's total output in pig iron was as follows:—

Million tons.

1913.	1920.	1921.
76½	60½	36

The world's output in steel (million tons) was as follows:—

1913.	1920.	1921.
74½	68½	41

The world's exports of iron and steel were as follows (million tons):—

1913.	1920.	1921.
15½	11¾	8

The total mischief within Germany's reach—her manufactures are alleged to be serious contributory offenders *viâ* the Belgian ports—is suggested by the following figures of her total output:—

Million tons.

	1913.	1920.	1921.
Pig	19	6¼	7½
Steel . .	18½	[illegible]	[illegible]

In view of these statistics an almost grotesque character attaches to the assertion that India at the present time is "the one great dumping ground for steel by reason of its large demand." In general it may be said that, for three years past, the world's manufacturers have practised extreme restraint of their normal enterprise whilst adapting themselves to the vital necessity of the world's markets, *viz.*, a drastic reduction of costs of production. The Indian steel interest, on the other hand, persists in its programme of expansion at a time when, everywhere else, restriction of effort is being practised. If its demands are conceded now they will contribute to a further rise both in its own costs of production and distribution and of the costs of production and distribution which are in every direction operating so adversely against India's economic recovery. Ordinary prudence suggests that the reduction of coal and transit costs should precede, and not be postponed to, the success of the indigenous steel industry. When such reduction has been achieved and the costs of Indian steel production have been reduced commensurately with it, the time will have come to consider whether the Indian steel manufacturer can face the blast of foreign competition or whether he needs for his assistance the adventitious aid of a high protective tariff.

In this connection it may be noted that the Indian steel manufacturers' demands for protection are supported by ample references to the experience of the United States, which resorted to the protection of its steel producers in the early seventies and has since become the greatest, and among the most economical, of the world's steel-producing countries. The two cases appear to differ from one another *toto cœlo*. In 1871 the United States possessed a population of small proportions occupying an undeveloped country even vaster, and potentially far richer, than India. That population was composed of a hardy pioneering class inheriting great industrial traditions from its European past. It had already created in its own country a tradition of universal and intensive education. It enjoyed the confidence of the European money markets in every branch of expansion and development which it undertook. To-day India's prime task is to feed the mouths of 320 million people who possess almost no industrial traditions, who are admittedly harassed by ancient customs in every effort to create such traditions and who are so poor that their prospects of attaining a system of universal education recede rather than draw near. The recurring costs of capital needed for railway expansion are high and the accommodation forthcoming in European money céntres for such expansion is strictly limited. All the conditions which contributed to the expansion of American steel production from 1¼ million tons in 1870 to 27,000,000 tons in 1910 appear to be absent in the case of India. During the first eleven years of the intensive pursuit of the steel industry in America the selling cost of American steel rails, fixed though it was wholly by American costs of production, had halved, although the duty against foreign steel remained at its original exclusive level. The result of eleven years of the manufacture of iron and steel in India has been to exhibit an alarming increase in the cost of manufacturing steel rails. Large reductions in works costs during the first five years of operation have been followed by more than corresponding increases which have raised the cost of manufacture by some sixty per cent. since 1916-17. Apparently costs were still rising in July 1923. The times are exceptional, it is true, but it is difficult to point to a single circumstance warranting the assumption that the prime costs of steel production in this country will decline during the next few years even with the assistance of high tariffs. The American success was attributable in large part to the adaptability and high qualifications of the American skilled workman and in large measure also to the progressive development of the country's resources in a hundred different although parallel directions. That progressive development both created the demand for steel and went far to conceal and ease the incidence of the burden involved for the American public in its satisfaction exclusively by American manufacturers. The accumulation in the pockets of such steel pioneers as Messrs. Carnegie and Frick of millions of dollars extorted from the public's necessity was in

some degree rendered palatable by the fact that parallel success was within the reach of pioneers in a hundred branches of developmental activity. No such compensation is within reach of the masses in an ancient and thickly populated country such as India. Their part in the process is likely to be confined to the unpleasant obligation of contributing to a new source of wealth the creation of which, for many years to come, will serve only to increase their anxieties and lower their standard of living.

I refrain from any attempt to analyse in detail so much of the system of the Tata Iron and Steel Company's accounts as has been made public. The present inquiry, although it may have been necessitated by the position of the Tata concern, involves much more than a mere consideration of its past record and future necessities. I confine myself, therefore, to drawing the Board's attention to one or two facts which throw some light on the claims which the Tata interest now feels itself impelled to put forward. Up to and including the year 1921-22 the net profits of the Tata Iron and Steel Company, as shown in its own balance sheets, amounted, after payment of debenture interest, to 7⅓ crores. This profit was the result of at most ten years' effective working of all or a portion of the original plant and early extensions. The net sum placed to reserve during the course of that long and generally prosperous period was 17 lakhs of rupees (as opposed to depreciation which absorbed 295 lakhs). Moreover the bulk of the profits shown were earned when the ordinary preferred and deferred capital was standing at a figure which was something less than four crores. During the five years ended 1916-17, with a total ordinary, preferred and deferred capital of Rs. 2,31,75,000 the Company showed a total net profit of Rs. 2,35,09,000 or some four lakhs more than its working capital. During those years it wrote off for depreciation Rs. 56,20,000 and placed to reserve the sum of Rs. 20½ lakhs. In 1916-17, the Company, in the fifth year of its effective working, on a total paid-up capital of Rs. 2,31,75,000 realized a net profit of Rs. 1,10,00,000. It placed to reserve the sum of eleven lakhs and distributed 54 lakhs in the form of dividends. In 1917-18, on a total paid-up capital of 2,56¾ lakhs it showed a net profit of Rs. 1,05,69,000. In 1918-19, on a paid-up capital which scarcely exceeded 280 lakhs it showed a net profit of 67 lakhs. In 1919-20, on a capital still standing during the greater part of the year at a maximum of some 3¼ crores it showed a net profit of 115 lakhs; while, in the following year, an almost identical profit was realized on paid-up capital which, until the end of September, stood at roughly 4 crores. During the four years commencing 1917-18 and ending 1920-21 the Tata Iron and Steel Company repeated its performance of the preceding five years. It again exhibited net profits (amounting to Rs. 4.09 lakhs) equal to, and indeed exceeding, the whole of the average paid-up capital on which it relied for the conduct of its operations During the last six months of this period, it is true, the Company had in its hands 105 lakhs, and in the last two months of the period a further 105 lakhs, of the new capital necessitated by the "greater extensions" project. It seems improbable, however, that this new capital, made available late in the year, can have materially influenced the returns which exhibit marked similarity to those of 1916-17, 1917-18, and 1919-20, in each of which the net projects exceeded one crore. During the remarkable period 1917-18 to 1920-21 (inc.) the Company placed to reserve, out of net profits exceeding 4 crores derived mainly from a like capital, the sum of Rs. 2,58,000, while some 2 crores was written off during the four years for depreciation. Dividends paid during the four years amounted to some Rs. 166 lakhs. During the nine-year period 1912-13 to 1920-21, the total of dividends paid amounted to Rs. 291 lakhs. Of that sum the deferred shareholders, who at no time represented more than Rs. 14,59,000 of the Company's total capital, received no less a sum than 80 lakhs of rupees. In the deferred scrip of the Company gambling on the stock exchange reached monstrous limits, the price of the thirty-rupee holding being raised by the market as high as Rs. 1,630 in the financial year ended June 1918, to Rs. 1,460 in the financial year ended March 1919 and again to Rs. 1,070 in the last

year of the series, 1920-21. The Company is open to criticism in that it was seriously at fault in its failure to build up large reserves against post-war depression and also on the ground of the encouragement it accorded to the motion that the first duty of the Directors even of nascent industries is to dazzle their shareholders with large dividend payments.

It may be doubted whether the Company exhibited any greater foresight in its sales contracts whether they were concluded with the Railway Board, the Palmer (Railway) Companies or the subsidiary companies with which it has surrounded itself. Until 1925 in the case of the Palmer Companies and until 1926 in the case of the Bengal Nagpur Company the Tata Iron and Steel Company is committed to the annual supply of large quantities of rails at prices which (Rs. 110 in the former case and Rs. 122-8 in the latter), if accepted by the English and Belgian Companies, would be described officially by the Tata Company as an example of dumping. Making all allowance for gratuitous revision of contract rates by the Railway Board, the Tata Iron and Steel Company is supplying rails for the State-managed railways on terms which, on the basis of the Company's cost of production in July 1923, shows a loss to the Company of some Rs. 23 for every ton of rails supplied (difference between Rs. 156 and Rs. 179). Still more extraordinary is the fact that the Tata Iron and Steel Company has accepted the Swansea, or mean of British and American cost of production, as the basis of its supply of steel to its subsidiary companies. One of the largest of these contracts binds the Company until 1948 and none is for a less term of years than ten. It is permissible in reviewing these contracts to remind the Tariff Board of the Fiscal Commission's injunctions against the "stereotyping of inefficiency" and the "encouragement of inefficient production." There is in Calcutta no single interest but earnestly desires the success of the Tata Iron and Steel Company and the permanent establishment of its affairs on the basis of economic production and a generous reward to capital. From every point of view, the sacrifice of its invaluable experience and the serious impairment of its capital resources, estimated at some 20 crores, would be regarded as lamentable. The findings of the Fiscal Commission furnish no sanction, however, for the condonation of serious errors in past management nor for the transfer to the shoulders of the public of burdens which such errors may bring in their train.

Oral evidence of Mr. G. PILCHER, recorded at Calcutta on the 9th November 1923.

President.—I should like to say at the outset that we are very much indebted to you for coming forward to give evidence and for the very full statement that you have given of the point of view you represent. We understand that although you are the Assistant Editor of the *Statesman* you are not appearing to-day in any respect on behalf of that newspaper.

Mr. Pilcher.—Quite.

President.—Your object I think is to secure that the point of view which is prevalent in the business circles in Calcutta should be fully placed before the Board?

Mr. Pilcher.—Yes, the point of view of Calcutta and for a radius of 250 miles round this place.

President.—I should like to say one word here which is not directly relevant to your evidence, but I think this is an opportunity which might be taken to say something on that point. We have been in Calcutta now for over 10 weeks and we have not received very much evidence on the lines taken in the written statement which you have submitted. Naturally if the opinions which you have expressed represent in a general way the prevalent or the predominant feeling in the Calcutta area, one would have expected that more witnesses would have come forward to represent that point of view. In particular I think that the Board might naturally expect that they would have received some statement of the views of the Bengal Chamber of Commerce. I want to allude to that now because what was said at the previous meeting when Sir Robert Watson Smyth was under examination was, I think, calculated to create a misleading impression as to what had actually occurred. Originally we understood in a general way that the Chamber of Commerce were likely to address us. Subsequently we were informed by what appeared to us to be an unquestionable authority that the Chamber did not intend to send in a written statement of their views to the Board. Soon after that, the Board saw in the newspapers the announcement of a resolution to be moved at the meeting of the Associated Chambers of Commerce in Bombay by the delegates of the Bengal Chamber of Commerce. This was a resolution strongly condemning the protection of steel. As soon as we saw this resolution, we wrote to the Bengal Chamber to enquire whether this resolution represented the considered opinion of the Chamber because we said—I don't remember at the moment the exact words of the letter—that we assumed that this could not be so in view of the fact that no expression of their views of the Chamber of Commerce had reached us. We have not yet received a reply to our letter, but we have seen—I think it was in the yesterday's issue of the *Statesman*—a paragraph which implied that it was now the intention of the Bengal Chamber to address the Tariff Board, and I need not say we shall be extremely glad to receive it when it comes if the information contained in the newspaper paragraph is correct, and we shall do our best to do the fullest justice to any views that are placed before us. But I think it is reasonable that the public should know that, if up to this time the Board received very little evidence representing the point of view which in your opinion is the prevalent view within the whole Calcutta area, I do not think the responsibility rests with the Board. We are all the more indebted to you, Mr. Pilcher, for coming forward so that a full statement of the case, from that point of view, may be in our possession.

Mr. Pilcher.—The only comment I would like to make, if I may, is to draw your attention—I am not here speaking in connection with the Chamber proposition—to the extreme difficulty which the general public, the general

consuming public, must find in preparing any statement of the kind you hope to receive from them. Fortunately in my own case it is part of my daily work to follow these discussions very, very closely and I have got sources at my disposal of which I have made some use at the expense of much time and so forth, but there is no large leisured class—of course there is a very, very small leisured class—which can give time to this sort of work, and their resources in the matter of satistics and so forth are very limited.

President.—I was not suggesting that it was incumbent upon the members of the public to come forward with their views—each of them with a whole statement of their case, but what I was rather suggesting was that those whose interests will, if we accept your evidence, be very seriously and most prejudicially affected by the imposition of a protective duty on steel, have not come forward to say how it would affect them. That is rather important and the Chamber of Commerce is the natural body to attempt to sum up the general opinion in business circles.

Mr. Pilcher.—Yes.

Mr. Ginwala.—Take your own statement, which is a very full statement so far as the case appears to you in the light of the information that you have got. For instance, you are referring to the effect of increased tariff on the jute industry. You are also referring to the coal industry; you are also referring to irrigation, ports, etc. You naturally expect that those consumers would go out of their way to protect their own interests.

Mr. Pilcher.—Has the Board approached the Chairman of the Port Commissioners?

Mr. Ginwala.—Yes.

Mr. Pilcher.—I don't mention the Port Commissioners in particular, but the representatives of those great industries.

Mr. Ginwala.—Let me finish. So far as you have followed the proceedings of this Board—I take it you follow our proceedings pretty closely—you must have noticed that so far none of these bodies have come forward as bodies.

Mr. Pilcher.—I wondered several times whether they received the necessary invitation.

Mr. Ginwala.—The President will presently tell you what we have done in that respect. Take the jute industry for instance. It is a very powerful industry in this place. You said that the tariff on steel would embarrass the industry to a considerable extent. Has any representative of the jute industry as such come forward before us?

Mr. Pilcher.—I don't know.

Mr. Ginwala.—You have followed the proceedings. Have you noticed anybody?

Mr. Pilcher.—I cannot say I have. I am prepared to accept your statement for it.

Mr. Ginwala.—Take the coal industry. Of course individual owners of collieries have come forward and given us their statement incidentally in connection with other matters. We have addressed both the Associations We are not being helped as we ought to be.

President.—We wrote to the Port Commissioners indicating the points on which we were particularly desirous of getting the information as to the effect of the increased duty on steel. We had a reply from them stating that they were sending us a written statement which would be ready by the 13th of November. As regards the mining interests, we wrote both to the Indian Mining Association and the Indian Mining Federation. Both the bodies replied definitely saying that it was not their intention to make any representation to the Tariff Board on the question of what effect the protection of steel might have on the coal industry. We wrote again to both bodies as part of our attempt to investigate the reasons for the increases in the price of coal and to ascertain how far these causes were likely to be temporary or permanent.

On that point we have received replies from both the bodies giving their views; but on the general question of how protection of steel would affect the coal industry we have had some evidence, as Mr. Ginwala said, from particular firms, representatives of which appeared before us, but both the Association and the Federation have declined to say anything.

Mr. Pilcher.—I think I can throw some light on the attitudes of these bodies. The two Mining Associations have replied to you where it was merely a question of estimating. What was the other point?

President.—They replied to us on the question of our second letter which was an inquiry directed to ascertain the causes which have led to the increases in the price of coal.

Mr. Pilcher.—That, I think, goes far to explain the situation. Where it is a question of mere fact, you get your answer directly, but where you ask them to say whether your interests will be damaged or assisted, there you have got those bodies representing a large number of firms. Perhaps the majority of them will stand to be damaged in their interests and you may have a strong minority owing to the peculiar nature of their particular private interests which may even be assisted. In the case of the collieries, I can give you a case in point.

President.—All I wish to say is this: that in our original letter to the Association and the Federation we enquired if the Association or *any of its members* desired to express any opinion. I presume in the ordinary course of business our letter would be circulated to the firms which constitute the Association, or the Federation, as the case may be.

Mr. Pilcher.—In the case of the coal industry, you have this prevalent fear that, if anything happens to the Tata Steel Corporation, you will have 1¼ million tons of coal dumped on the market and there will be a crash. A number of firms would stand to lose and others are not in a position to resist it.

President.—They should come and state it. What is the Board to do? If those persons who are likely to give this information and are most qualified to give it, do not come forward and give information, what is the Board to do? That is what I want to say.

Mr. Pilcher.—I see it is difficult.

President.—All I should like to add, so that the statement may be more complete, is that we did not write expressly—at least I don't think we sent any special letter—either to the Tea Association or the Jute Association But our communiqué issued at the opening of the Tariff Board enquiry—copies of which were sent to the Press—was perhaps an invitation to the general community and it was the desire of the Board that if their interests were affected they were at liberty to come forward. If there had been any doubt in the mind of persons unconnected with these industries, I do hope that what had been said to-day will remove their doubt. The express purpose for which the Tariff Board was appointed was to give an opportunity for all interests who may be affected by protection to come forward and state their case, and meanwhile let me once more say that we are much indebted to you for having attempted to state their case for them.

Your statement is so full that it will not be necessary to ask many questions to-day with the object of developing your argument. It is quite clear on almost every point what your line is.

On page 5 you refer to the fact "The supreme direction of the various industries is still vested in this city in the hands of managing agencies which are themselves constantly engaged in tasks of commercial adaptation, adjustment and reconciliation which demand skill no less delicate than that which the Tariff Board is now itself asked to display." May I suggest that possibly the absence of evidence from certain sections of the commercial community may be due to the fact that their capacity for adaptation, adjustment and reconciliation proved inadequate to the problem before them?

Mr. Pilcher.—You are quite welcome to suggest that.

President.—It just occurred to me in reading your evidence. On page 8 you say "Nor are there many firms but regret the impulse imparted to dreams of manufacturing expansion in India by the relative cheapness of machinery and constructional costs which followed in the wake of that movement of exchange." That is the movement in the beginning of 1920. It has been put before us in evidence that Tatas were unwise in undertaking their new capital programme at the time they did on the ground that the prices at which their materials had to be purchased especially in the years 1919-20 were much too high. You are suggesting here that that time owing to the high exchange was a favourable time for launching into capital expenditure. Do you think that the high exchange fully counterbalanced the high price of materials?

Mr. Pilcher.—I should imagine that Tatas' Greater Extension scheme was born considerably earlier. It would be in the earlier years (1917, etc.) when they had huge profits. Here in Calcutta you had a number of small concerns which were simply hypnotised by the high purchasing value of the rupee and they simply rushed in and concerns were floated in a few months.

President.—I see your point: also the payments which Tatas had to make on account of their Greater Extensions began before and continued after the period of the high exchange.

Mr. Pilcher.—I may draw attention to the fact that there were very conservative concerns in Calcutta who kept the more general idea always in view and who hardly touched this floatation business precisely because they were so cautious and farseeing.

President.—What I want to suggest is this: it was not so much the high exchange that was the influence leading to the industrial boom, but rather the high profits that could be made at the war and immediately post-war prices.

Mr. Pilcher.—That was also a factor, but I think in Calcutta in the case of small concerns the other was the direct inspiration. I think very cautious firms resisted it.

President.—You are referring to the floatation of companies in 1920?

Mr. Pilcher.—Flotations were going on almost every week in 1920.

President.—In the first page of your note, and I think especially in pages 15 and 16, your main lines of argument appear to be this, that the imposition of a protective duty on steel would very seriously reduce the imports of goods into India, and consequently reduce at the same time also the export, and that would be prejudicial to the interests of the country.

Mr. Pilcher.—Yes, provided that the development of the steel export trade is actually achieved at the expense of the steel import trade.

President.—Yes certainly, but in so far as the policy of protection is successful, steel will be manufactured in India instead of being imported from abroad.

Mr. Pilcher.—Not only so but manufactured in surplus quantities for export at the expense of the consumer.

President.—You say at the bottom of page 17 "If the tendency towards the reduction of importation is now to be deliberately extended by means of hostile tariff charges on that large section of the country's foreign trade in which steel is either the sole or the main constituent, the possible consequences demand serious consideration in advance." And a little lower down on page 19 you say: "It is possible that, granted a marked diminution in the bulk of India's importation, the world would for a time still insistently demand her exportations of jute, raw cotton, hides, grains and ultimately, even iron and steel." But "At the present time India has to face the fact that through her import trade she must make provision for the foreign payment to her of a bill for her own exported commodities which annually verges on Rs. 250 crores. If she fails to do so, it can only be at the ultimate expense of her export trade and at

the cost of endless suffering to the agricultural masses who in a very literal sense, have been the creation and offspring of the economic policy which it is now proposed to subvert." The question I put to you is whether it is your view that the restriction in this way of the market for India's export would be a serious injury to the country?

Mr. Pilcher.—I think that the restriction of the existing export trade would involve a serious injury to the agricultural population of the country. The Fiscal Commission specially warned the Board against those dangers.

President.—What I want to put to you is this: supposing that conditions had been different, that the expectations of the years 1916, 1917 and 1918 as to the possibility of manufacturing steel in India had been fulfilled, and supposing that the Indian manufacturer of steel found no difficulty in selling his products at remunerative rates, and one or two of these other firms which, as you know, made schemes for the manufacture of steel in India had already begun to manufacture, and the restrictions on the import of iron and steel had come about in a perfectly normal way, would you still consider that it would be injurious to the interests of the country?

Mr. Pilcher.—I still think that such a process would threaten a revolution in India's exchange balance. I think you will have seriously to consider the effect on the rupee, the alteration in the exchange and the prejudicial effect on agriculture (of any rapid advance in the industrializing process).

President.—Do you think that under existing conditions it is inadvisable that the Government of India should encourage the development of industries?

Mr. Pilcher.—I think it is most desirable that the process should be very gradual, so that the import and export trade may adjust themselves. Certainly I would not advocate the artificial forcing on of this change.

President.—It seems to me that whether the change comes about artificially or naturally, it does not make very much difference. I appreciate your point that you would deprecate a sudden change.

Mr. Pilcher.—Yes.

President.—In another year's time the Tata Iron and Steel Company will be equipped to manufacture steel to the extent of 400,000 tons a year, unless the concern shuts down. That would lead to a reduction in the imports, quite apart from any protective duty.

Mr. Pilcher.—The position, as I have said, will be in a very acute form.

President.—The result would be, you think, a rise in exchange?

Mr. Pilcher.—Yes. That might increase the balance of trade to India's advantage very rapidly and suddenly and I think there will be a sharp rise in exchange.

President.—The immediate effect of that would be to increase India's purchasing power in the foreign market and thereby restore the import trade.

Mr. Pilcher.—The damage done to India's prosperity during the intervening period of violent fluctuations in exchange might prove to be incalculable.

President.—Do you anticipate that the fluctuations would be so very severe?

Mr. Pilcher.—I think it is a danger that has to be faced and to be considered. I have shown that the cotton and iron and steel together constitute over 50 per cent. of the total importations of the country in point of value. I forget the exact figures. The decline in the cotton importations has already affected the exchange and, if you put the two together, the results for the agricultural industry might be as serious as I suggest.

President.—Every rise in the exchange would increase the possibility of importing cotton from England. Suppose the exchange rises from 1*s.* 4*d.* to 1*s.* 6*d.*, that would mean a reduction to the Indian consumer of 10 per cent. in the price of cotton goods manufactured in England?

Mr. Pilcher.—Theoretically I quite agree with you, but if you once concede this principle with that result, then the demand for protection by the cotton

mill people brought about by the enhanced purchasing value of the rupee will be absolutely irresistible. It seems to me that you will have to go on to that.

President.—That is a more general point of view. The exceedingly violent fluctuations in the exchange in 1919-20 were to a large extent due to a complete disorganisation of the ordinary channels of trade produced by the war. Since then things have settled down a great deal, and the movement of commodities would be more sensitive to small changes in the exchange. I suggest that there is no particular reason to fear that there should be such violent fluctuations. I think this point ought to be taken into consideration.

Mr. Pilcher.—I still think that the present rise in India's balance of trade is a clear sign of the times and it is extremely dangerous, from the point of view of the agriculturist classes, to go in for the deliberate diminution of the import trade.

President.—Do you think that it would be better in the interests of the country that the extra steel which Tatas will be able to manufacture should not be manufactured in India?

Mr. Pilcher.—Certainly I think it is desirable that the development of the steel industry should be left to be controlled by more or less natural forces. The first thing is to get the cost of production down gradually.

President.—If rolled steel is to be manufactured in India at all, we had it in evidence that the smallest economic unit which any modern manufacturer would think of putting up would be one capable of producing 130,000 to 140,000 tons a year. That is roughly Tatas' present production. In fact what they have done is to add about two units to their present plant, and that would make up the 400,000 tons. If the manufacture of steel in India is to be proceeded with at all and gradually increased it can only be increased by pretty big jumps. You may say that this is double the ordinary jump but sooner or later that kind of situation has got to be faced.

Mr. Pilcher.—My reply would be that, if this development is left to be controlled by natural economic forces, it will ultimately come about on a profitable basis for India. It will create so much additional prosperity in this country that the purchasing power of the country will be increased. But to-day you will get absolutely nothing from it through the decrease in imports by their exclusion and a general adverse effect on imports through the deteriorating purchasing power of the masses generally. The cost of transit will go up, coal costs will go up and all costs of agricultural production will go up. I think you will cut both ways if you go into this unnatural encouragement of the steel industry. If you will only wait and do things naturally, you won't have all this maladjustment of exchange and the beneficial forces created by the manufacture of steel will develop and tend to balance things.

President.—But supposing the result of refusing protection were this that the manufacture of steel in India ceased altogether, would you regard it as a smaller calamity to the country?

Mr. Pilcher.—I think if the present attempt to manufacture steel in the country does cease—I don't think it necessarily will—I think Tata's concern will be reconstructed; capital is not going to lie idle, some-one will have to reconstruct it and they may attempt to work on an economic basis—I think, the fact that you have got iron ore here with 60 to 70 per cent. iron absolutely assures ultimate development once you get your coal and other costs down.

President.—One has to consider this, that one reason why India is so backward in manufactures is the difficulty of attracting Indian capital to industries. Apart from the cotton mills, the Tata Company is the first great industrial achievement due solely to Indian capital. One has to consider the effect that might be produced on the minds of Indian capitalists regarding investments in industrial business.

Mr. Pilcher.—I should very much like to see capital pouring into industrial developments in this country, but whether you will ever attract capital by keeping your railway and coal cost so high that the cost of production absolutely

precludes export, it seems to me very doubtful indeed. You must cut these costs down and then capital will be attracted. The cost of production of the Tata Iron and Steel Co., in July 1923 was Rs. 179 per ton of rails and the cost of production at Swansea was not more than 135 a ton.

Mr. Ginwala.—Selling price you mean?

Mr. Pilcher.—F.o.r. price was certainly not more than Rs. 140 a ton.

President.—That is not necessarily an indication of cost of production. As a matter of fact what the Tata Company said about that was that they did not think that any firm in Great Britain could at present be manufacturing steel rails at anything below £8 a ton, and I doubt if any one in India has better information about that than Tatas.

Mr. Pilcher.—You cannot attract capital into an industry when there is something between 30 to 40 per cent. difference in the cost of production. It is to me almost incredible that all these factories in England are turning out these large quantities, which I have mentioned in my written evidence, at a dead loss.

President.—I don't think anybody would deny that the iron and steel firms generally for the last two years in the United Kingdom have been barely covering their cost of production in a very large number of cases, because I know that is pretty nearly certain. Of course it is a question how long they can go on; one would expect there would come a period when the firms would cease to produce.

Mr. Pilcher.—I pointed out to you that the English cost is just about the same as that anticipated by Tata's, Rs. 140 a ton. They are actually supplying to the "Palmer" Railways at Rs. 122-8 a ton. They have a contract with the B. N. Railway at Rs. 110 a ton.

President.—If the Tata Company expected to make a profit by selling at Rs. 130 a ton, their cost of production would certainly not be higher than that.

Mr. Pilcher.—My point is when you keep your cost of production back to something like that there is a chance of the steel industry in India meeting the demand of the foreign market and then you will attract capital into it. The point we are now discussing is the desirability of attracting capital into the manufacture of steel in India.

President.—It is more than that. The tendency that will be set loose will be that no capital will come into industries of any kind in India.

Mr. Pilcher.—My point is that more capital will come in when the cost of coal and railway freight and so on goes down again.

President.—Surely the difficulty to attract capital in investment in India existed before the war when the railway freights, etc., and the cost of coal were very low?

Mr. Pilcher.—I doubt whether it was realised then that this industrial opportunity existed. It was not then known that there was all this available ore in the country. It was only known in restricted circles that this ore with a high iron content existed in India.

President.—It is not only a question of attracting capital to the iron and steel industry but to industries of any kind.

Mr. Pilcher.—Are you going to attract capital by artificially increasing the cost of the basic material in the manufacturing process?

President.—It may be so. It is only an aspect of the case that cannot be ignored.

Mr. Pilcher.—I think the odds are all the other way.

President.—On pages 12, 15 and 16 you have spoken of the imposition of prohibitive tariff on steel. I take it that what you mean by that is a tariff the immediate object of which is to secure that the whole of India's demand is met in India?

Mr. Pilcher.—Yes.

President.—And you would admit no doubt that on its immediate effect the tariff would not and could not be prohibitive. It could only be prohibitive if the total consumption of India sunk to 400,000 tons which is Tata's own production.

Mr. Pilcher.—It may not be absolutely prohibitive, but its effect on the industries of the country would be that their foreign supplies would be restricted almost to the point of prohibition.

President.—Certainly not. After all the increase in the price caused by the duty will be 23⅓ per cent. over the present price. Do you think that an increase of price by 23⅓ per cent. would make it impossible to import steel at all?

Mr. Pilcher.—You have got Tatas cost in July as Rs. 179 a ton. The whole object of the tariff is to make it profitable for Tatas to manufacture.

President.—Not necessarily—at a cost of Rs. 179 per ton.

Mr. Pilcher.—How are you going to secure a reduction in cost?

President.—I think the Tata Company themselves recognize that this cost is higher than it ought to be, and what they have asked for is an increase of duty from 10 to 33⅓ per cent., that is to say, what costs Rs. 110 now would cost Rs. 133, which is a little more than a 20 per cent. increase. What I am putting to you is that an increase of 20 per cent. in the price of steel is not prohibitive?

Mr. Pilcher.—Not absolutely prohibitive.

President.—After all during the war we managed to pay a price very much higher than that. Not very long ago, in 1920-21, the Railway Board paid for imported rails—

for the 1st quarter	Rs. 251 a ton.
for the 2nd quarter	Rs. 308 a ton.
for the 3rd quarter	Rs. 375 a ton.
for the 4th quarter	Rs. 348 a ton.

Mr. Pilcher.—I am familiar with those figures, but what was the effect on railway construction? The only possible purchaser was the State Railways, and they purchased at a very expensive rate, but private concerns almost ceased purchasing.

President.—I am not for the moment considering the question how far the increase in price was prejudicial to railway development; that is another question. But if it is suggested that an increase in the price of 20 per cent. would have a prohibitive effect, I do suggest that it is going too far.

Mr. Pilcher.—It may not be absolutely prohibitive, I agree.

President.—The Tata Iron and Steel Co.'s position is this, that probably rails on the average for the next few years will come into India at about Rs. 150 a ton without duty. If a 33⅓ per cent. duty were imposed, it would raise the price to somewhere near Rs. 200. The question really is, would the consumer find it impossible to purchase at that price?

Mr. Pilcher.—I don't think it would be impossible, but it would be a very great burden on private industries.

President.—You rather overstate their case, and that is why I put it to you whether it is really prohibitive. It may be prohibitive in the sense that ultimately it is hoped that India will produce all its own requirements in iron and steel, but I don't think it is quite right to suggest that it is prohibitive immediately.

Mr. Pilcher.—I think "exclusive" would have been better than "prohibitive."

President.—Then on page 14 you say "In 1920-21, when Bengal's coal exports were 1,142,608, vessels clearing from Calcutta numbered 720, tonnage 2,225,000. In 1922-23, when coal exports had shrunk to 97,624 tons, vessels

clearing from Calcutta numbered 492 (1,752,000 tons)." Have you traced the cause and effect of these two things?

Mr. Pilcher.—Yes. The coal industry can give you the exact figures as regards tonnage.

President.—Do you suggest that the difference is accounted for merely by the absence of coal for export?

Mr. Pilcher.—A large proportion of it. Sir R. Watson Smyth told the Board the other day that there used to be—I think he spoke in regard to his office alone—very heavy work on chartering of steamers for coal tonnage, and now there is hardly work for one man at their table.

President.—Taking trade generally is it not a fact that there has been a considerable reduction in the volume of trade in these two years?

Mr. Pilcher.—The whole of the difference is not accounted for by the difference in coal shipments, but much of it is. The Port authorities know the number of coal steamers they used to have and the number they get now, and the colliery people can also give you the figures. The fact that coal does go abroad brings in a considerable amount of tonnage into the port.

President.—Do the export figures you have quoted include bunker coal or coal exported elsewhere?

Mr. Pilcher.—I cannot tell you.

President.—It is not of great importance.

Mr. Pilcher.—Bunker trade is of great importance to the collieries, specially to the second class collieries.

President.—On page 25 you say "A faint indication of the increase in railway costs involved in any compulsion places upon the Railway Board or the Companies to purchase in this country at the present time, with the steel tariff standing at 10 per cent., is afforded by the statement of the Railway Industries Committee that, on a purchase in India of 3132 railway wagons merely, the additional cost to the taxpayer would have been approximately half a crore of rupees as compared with the cost of the imported commodity. Were still greater protection afforded to the indigenous steel industry, the disparity between foreign and Indian prices would necessarily become more marked." Well, I can't say how it could become more marked than it was already, because most of the wagon building firms have asked for a rate of duty which would secure the price they endeavoured to obtain in 1922 and the disparity would just be where it is, would it not?

Mr. Pilcher.—If so, then their profits would be very much less than they expected on the order—that is, if they have to buy steel at a higher price. Somebody has got to make a sacrifice; I do not know who is going to make it.

President.—What we were told in evidence about the tender which secured the order for the 3,000 wagons in 1922 was that, as far as it could be compared with the pre-war price, it was really lower than the pre-war price.

Mr. Pilcher.—I have heard of that.

President.—Supposing for the moment that that statement is accurate, do you think it is possible that for any substantial period India will be able to buy in the United Kingdom wagons at about the pre-war price?

Mr. Pilcher.—They are buying now.

President.—There was one successful tender for 8,000 wagons which apparently got the order at about the pre-war price?

Mr. Pilcher.—Yes.

President.—Do you think it is possible, having regard to the condition of the world generally, that it could go on?

Mr. Pilcher.—I think very strenuous endeavours are being made in the steel market at Home and other markets to get down to pre-war level, or somewhere near a level at which India can buy; that is the one governing ambition of these industries.

President.—Let me put it to you that in the greatest steel producing country in the world, the United States of America, the price of steel rails is 50 per cent. more than the pre-war price and appears likely to remain at that level.

Mr. Pilcher.—They have gone on to the self-contained process: they have surrounded themselves by a high tariff and they have become a self-contained unit. I think their case is a special one.

President.—But they are producing more steel than all the rest of the world put together, and they can hardly be left out. I admit that the British manufacturer has been doing his utmost to reduce cost with the result that in real wages labourers in the iron and steel trade are distinctly worse off than before the war.

Mr. Pilcher.—Yes.

President.—One does not see that that can be pushed very much further.

Mr. Pilcher.—I personally think that, the conditions of the Indian railways being what they are, and the whole of the industries depending upon transport which is inadequate, the very greatest use should be made of the present opportunity in India's interest. If the steel industry will only wait patiently till railway freights come down, their time will come.

President.—The sum and substance of your argument is that it is an altogether inopportune time?

Mr. Pilcher.—Yes, it seems to me to be in conflict with the Inchcape Committee's recommendations. It seems to fly in the face of post-war experience and the necessities of the post-war time.

President.—Then the policy that you advocate as the best policy in the interest of India is to buy in the cheapest market regardless of the consequence it may have on your own industries?

Mr. Pilcher.—For the time being, with this rider added that this particular steel interest having come into existence, buy from it to the extent of its production on the basis of cost at the lowest level at which they can produce within their limitations: do not stifle it: do not extinguish it, but do not encourage it artificially at this critical time when, above all things, India requires cheapness by lowering of transport charges, etc.

President.—This is a considerable qualification of your general position. Am I right in saying that you think Government would be justified in purchasing all the steel the Tata Company could produce at the lowest price which would enable them to carry on?

Mr. Pilcher.—I think the question requires most careful examination, but in view of the undesirability of this one steel industry going under, I think something should be done to help them. But the governing consideration is the necessity of buying cheaply for railway reconstruction and for other industrial advancements such as bridges and collieries and so forth. I think if help of the kind mentioned were accorded to Tatas a very close security would naturally be required at the Tata Company's works.

President.—At page 26 there is a reference and quotation from the Industrial Commission's report. I was wondering if you could give me a reference. It declares that "cheap supply of coal is the foundation of future industrial progress in India."

Mr. Pilcher.—I shall be glad to give it to the Board. I will send it down.

President.—Going on now to the Jute trade you say "It was, and I believe remains, the ambition of the jute industry on the Hooghly to maintain a steady ten per cent. increase in the number of looms operating on the river." Well, that depends of course on the growth of the demand solely. Unless more jute is required there is no justification for the increase in the number of looms.

Mr. Pilcher.—I think you can safely leave the jute trade to look after its own interests, and to guard itself against over production.

President.—I was interested in the statement as I myself do not know by what law of nature the jute trade would extend at that rate, or should it be an object which Government should set itself to secure?

Mr. Pilcher.—My object there has been to give the Board some estimate of the steady rate of expansion and thus to enable you to get to the steel factor. I would not claim it as a matter of right for the jute industry.

President.—You say "Since the war at least two plants have been laid down in India for the manufacture of this machinery." I think we have heard from three firms manufacturing jute mill machinery. We had a written statement from one, I think the Angus Engineering Company. We visited the Works of the other two but have received no written statement from either of them yet. If they regard it as of great importance that any protection granted to steel should be passed on to them, we should have heard from them more than we have heard. But there is, I think, this point to be considered that it does not necessarily follow that all their machinery is made of steel, some of it may be made of cast iron.

Mr. Pilcher.—The whole of it is not steel, but it must be left to an expert to elucidate what proportion of that is made of steel.

President.—Then on page 37 you say "Every tea garden in Bengal and Assam is dependent upon machinery for the manufacture of its leaf and there appears to be complete unanimity among its promoters in resenting a prohibitive import duty on steel as a potential import on their own capital and replacement outlay at a time when recovery is being laboriously achieved after a period of disastrous losses. At least one engineering concern for long associated honourably with the supply of tea manufacturing machinery to the gardens, is threatened with heavy loss on its Indian investments in the event of the imposition of a prohibitive tariff on steel." Would it be a fair question to ask what that concern is?

Mr. Pilcher.—I should rather not discuss that.

President.—All that I would like to say is that if they came up we would naturally hear what they have to say. We visited the Works of Messrs. Marshall Sons & Co., where they manufacture tea machinery, a firm I understand established in England, but who started a branch in India, and we understood quite distinctly that that firm did not intend to address us.

Then, on page 43 you go on to the question of the concessions that coal export used to enjoy, and you are of opinion that it is very desirable that it should be reintroduced in order that the coal export may be resumed. But have you considered the Railway point of view that they are unable at the present moment to move any more coal than they are already moving, and, if so, would the remedy you suggest produce any appreciable effect?

Mr. Pilcher.—I understand the wagon position is daily growing better. This is a very profitable trade and there is this to be said also that a great deal of the coal now taken, over the long land lead would, granted railway assistance for the sea route, come down to Calcutta by the short lead. There would be large wagon economies on the long land journeys. The bulk of the coal would come down to Calcutta in 5 days there and back for the wagons. The rest of the coal transport would be done by sea.

President.—You will relieve congestion by increased traffic?

Mr. Pilcher.—You will take a great deal of coal off the long and on to the short land leads. It would economize wagons in one direction and it is doubtful whether any net increase of mileage run would result from sending the coal to the sea *vid* Calcutta.

President.—It is not a point that is of importance to the Tariff Board, but, as I understand it, the railway contention is that for practical purposes they cannot move more coal than they are moving.

Mr. Pilcher.—I would like in any case to emphasise the necessity for getting more wagons and getting them quickly.

President.—On page 44 I find a little difficulty in following your figures. Have you any information as to the price of Bengal coal at Bombay just now?

Mr. Pilcher.—It is very easily available. I think the price of Bengal coal is Rs. 28 or Rs. 29 per ton which is a little above the delivery price of foreign coal—I think it is merely a matter of annas twelve or a rupee above that.

President.—Bombay is paying between Rs. 26 and 29 and the Indian coal is just about that?

Mr. Pilcher.—A few annas more will settle the whole thing—I should rather say a rupee at the outside would enable the Bengal coal to get into the Bombay market.

President.—On page 45 you say: " A concrete example taken from the statistics of a large operating group will best show the position of these companies." There again I would like to put it to you whether you are in a position to say what group you are referring to?

Mr. Pilcher.—I don't think I am. These statistics have been obtained from personal friends and from people who were willing to help me. Sometimes help was given and sometimes they were diffident about giving me any information.

President.—You have no authority to disclose the names of the firms you are referring to?

Mr. Pilcher.—No.

President.—That of course ends the matter, but we hope you will at least convey to them our desire (although of course their feelings are the same as yours) to hear what they have to say.

Then, on page 46 you say " A 33⅓ per cent. enhancement of replacement costs under the heading of machinery in the multiple concern described would entail an additional 3·81 annas per ton on raising costs for depreciation alone." I take it that in a modern colliery, the electrical machinery itself accounts for a considerable part of the machinery?

Mr. Pilcher.—In that particular group that I gave you the electrical machinery bears a very small proportion at the present time to the total block outlay, although electrification is going on and they think it is the one hope of salvation in the future.

President.—If the representatives of the firms were before us we could have tried to ascertain to what extent their machinery could be produced in India to-day; if it could not, then there would be no question of including it in the higher tariff duty. For instance, there are various steel parts of machinery, *e.g.*, boiler plates, that are not really produced in India, and they ought to be eliminated in any attempt to calculate the cost. But of course you are not intimately acquainted with the thing and we can hardly expect you to give us the information we want as it must be someone who is intimately acquainted with the facts.

Mr. Pilcher.—Quite.

President.—On page 60 you say: " Of the analogous companies subsidiary to the Tata enterprise one has already demanded a protective import duty of 45 per cent. *ad valorem.*" Which subsidiary company are you referring to?

Mr. Pilcher.—It is the Tinplate Company.

President.—I want to be certain about it.

Mr. Pilcher.—It was based on recollection of newspaper reading.

Mr. Ginwala.—You, I take it, represent more or less the theoretical aspect of the case, and so far as it refers to the consumers of India. You are not a practical consumer, any more than I?

Mr. Pilcher.—No.

Mr. Ginwala.—You are not interested in any industry?

Mr. Pilcher.—No.

Mr. Ginwala.—So, it is more or less a theoretical presentation of the case?

Mr. Pilcher.—I am a consumer. My railway and other forms of outlay are going up.

Mr. Ginwala.—You don't use any steel?

Mr. Pilcher.—No.

Mr. Ginwala.—You are quite right in presenting to the Tariff Board the consumer's point of view. We must decide this question after taking into consideration the various recommendations of the Fiscal Commission, and striking more or less a sort of balance between advantages and disadvantages arising from protection. You have in the first part of your exposition generally dealt with the question. You have tried to show what effect it would have generally on industries and so on, but that, I think, hardly helps us, unless you get us the necessary figures, or put us in the way of obtaining them, or unless those particular industries concerned are going to come forward and help us. What I mean is this. I am trying to work out a sort of profit and loss account from the consumers' point of view. First of all I should like to determine what is the burden in money in the event of steel getting protection. First of all I should like to know if you have taken this 33⅓ per cent. as being applicable to the whole 1 million tons of steel.

Mr. Pilcher.—For the purposes of calculation, I have done so.

Mr. Ginwala.—That is hardly the figure. We are at present investigating not into the position of all kinds of steel imported but into the position of the kind of steel that is or is soon likely to be manufactured in this country. That is a great qualification.

Mr. Pilcher.—It seems to me inevitable that ultimately the steel industry, if once protected, will aim at supplying the whole Indian market.

Mr. Ginwala.—We do not know what may be in the remote future. We are only concerned with the present and more or less immediate future.

Mr. Pilcher.—Are you concerned only with 140,000 tons or with 400,000?

President.—Mr. Ginwala means that the Tariff Board are only concerned with the kind of steel that is produced or can be produced within a reasonable time in this country.

Mr. Pilcher.—In one of the statements supplied by Tatas, they give a list of the various articles they hope to produce in the country.

Mr. Ginwala.—There are various things made of acid steel, like high speed tools, which cannot be manufactured in this country. They must be imported. But we are now confining our attention to the kind of steel that is manufactured in this country.

Mr. Pilcher.—If you are going to reduce the one million tons under this head, you have to take in different classes of machinery, hardware and so forth.

Mr. Ginwala.—We have to exclude everything that is not manufactured in India. So your figure will require a considerable modification.

Mr. Pilcher.—Also amplification because there are those other heads.

Mr. Ginwala.—What do you mean?

Mr. Pilcher.—You have got the Agricultural Implements Company at Jamshedpur trying to oust the foreign manufacturer. Under your imports where you get 1 million tons imported, it does not include *kodalis*, etc.

Mr. Ginwala.—I am only taking those things that are manufactured in this country. We are not dealing with anything that is not manufactured in India.

Mr. Pilcher.—In the ultimate balance-sheet, you will get a very much higher figure than the 15 crores I have given.

Mr. Ginwala.—We do not know what the figures are. That is one limitation. Having got that, you have got to distribute the total burden amongst the various consumers. The railways are the most important consumers. Are they not?

Mr. Pilcher.—I must emphasise that the burden is by no means confined to the mere addition to the cost of price. There is the indirect burden to be considered. I don't know whether you are asking me to consider the whole burden.

Mr. Ginwala.—I am not talking of the moral or ethical burden. I am only talking of the money burden for the time being.

Mr. Pilcher.—Yes.

Mr. Ginwala.—Take the railways. They are the principal consumers.

Mr. Pilcher.—Also Government.

Mr. Ginwala.—Yes, Government in its various Departments, the most important being the Public Works Department, Irrigation Department and Ordnance Department. Then take the industries, textiles both cotton and jute, coal, agriculture, tea, engineering and machinery. We shall have to know from these various consumers how much steel of the kind I have referred to is going to be used by them in any particular year. We have not got the figures. We are doing our best to get them. Then we have to take the advantages that would accrue.

Mr. Pilcher.—I want to emphasise again that you have not touched the whole cost to the country. You have hardly begun.

Mr. Ginwala.—Let us go step by step. Let us take the money value first. You can amplify it if you like. I want to know whether this is the correct system or method to arrive at the money cost of protection. Against that you will set off what the country gains by it, that is to say, the value of the steel that is produced in the country—money remaining in the country, so many people finding employment in the country and also it being a means of securing its defence under certain contingencies and the like. Then we shall take the consumers separately. With regard to railways you have said that it would increase the cost of transport. On the other hand, there is the fact that railways would get increased traffic by the expansion of the steel industry.

Mr. Pilcher.—May I enquire whether I am to observe silence or do you expect me to comment? I want to comment on practically all these observations.

Mr. Ginwala.—I will first explain to you our general position. I want you to help us as far as you can. Take the advantages that go to the railways: the increased traffic and also the facilities that they get by obtaining their steel products as far as possible in this country. On the Government's side, there is the income-tax on the profits of steel and also certain appliances for national defence. Then you come to the ports. If the capacity of the people for buying increases, there must be more imports. Then we come to the industries. The most important are jute and coal. Now take coal We have been told that one ton of steel requires about 4 tons of coal—it may be more or less—and at present the consumption of coal by the direct manufacture of steel is about 1 million tons. There are also a number of subsidiary industries which will also use a considerable amount of coal, so that perhaps ⅛th of the total output of coal may be roughly taken as being used by the steel industry. So far as coal is concerned, it derives a direct benefit by the existence of the steel industry. When we have got all these figures, we would be in a position to know the cost of protection to the country as well as the consumer. Do you think that we can get the figures I have referred to?

Mr. Pilcher.—I think that the Board might go a long way towards getting some sort of monetary balance sheet, but it would be quite impossible to make it really comprehensive, by assuming that all the effects of protection are direct. Who can possibly estimate the effect on the vast agricultural industry of a retarded railway development?

Mr. Ginwala.—What is the total money burden involved? How much more would it cost the country? It may be Rs. 2, 3 or 5 crores. We know that it has got to be distributed over a very large section of the public

It is no use saying that the country's progress would be retarded. You have got to satisfy us with figures. We are not disputing the proposition that when there is a tariff, the cost of the article to the consumer increases for the time being. There is nothing in that. Nobody would deny it. When it comes really to determine how much that burden amounts to it is a different proposition.

Mr. Pilcher.—It is difficult to calculate. The Board's task is one of extreme difficulty.

Mr. Ginwala.—Are you prepared to help us on those lines?

Mr. Pilcher.—I cannot possibly tell you what the country will lose in any one year in trade if its railways were simply inadequate.

Mr. Ginwala.—Supposing the tariff is raised from 10 to 33⅓ per cent., can't you tell how much it is going to cost?

Mr. Pilcher.—You can work it out.

Mr. Ginwala.—If you are satisfied that the advantages and disadvantages approximately balance, would you object to protection?

Mr. Pilcher.—I should be very interested to see the balance-sheet.

Mr. Ginwala.—Supposing we are satisfied that on the whole the advantages of protection to the country are greater, what will be your position?

Mr. Pilcher.—I can only say that I should scrutinise the balance-sheet with some interest. As far as I can see, most of the items on the debit side will be enormously greater than those on the credit side.

Mr. Ginwala.—You may say so. It must remain a matter of opinion to some extent.

Mr. Pilcher.—It is for the Board to calculate and summarise the results of the calculation. It is the Board's task. I simply endeavour to remind the Board that there are big items to be taken into their calculation.

Mr. Ginwala.—How is the Board to do it? Is there any other way which you can suggest?

Mr. Pilcher.—I cannot, I must confess. I think that it is desirable that you should hear the views of the consuming class—representatives of agriculturists in particular.

Mr. Ginwala.—So far as you are concerned, you cannot give more than what you have.

Mr. Pilcher.—I cannot.

Mr. Ginwala.—Take the jute machinery. We have visited some of the Jute Machinery Works. Of course, no jute machinery manufacturer has given evidence before the Board. Our impression was first of all there was not so much steel in the jute machinery as you might think at first sight and secondly it was not the kind of steel in most cases which is manufactured in this country.

Mr. Pilcher.—I don't think that it is quite fair to contend, as you so often do, that because a particular thing is not now manufactured, therefore it is to be ruled right out of the question. The tendency of these powerful interests will ultimately be to manufacture everything. There is already a locomotive company which proposes to manufacture every part of the locomotive.

Mr. Ginwala.—That is a different proposition. Then, somebody else will make a further enquiry. We are at present concerned with the immediate future.

Mr. Pilcher.—The Board is going to give the direct incentive to this process.

Mr. Ginwala.—You contend that the jute industry would be affected very much by the imposition of the additional tariff on steel, but there is no evidence so far to suggest that most of the machinery is made of the kind of steel that is manufactured in this country.

Mr. Pilcher.—I only ask you to go into the jute factory and see with your own eyes whether the machinery is not made of steel.

Mr. Ginwala.—I went there a few days ago and I am telling you that the kind of steel that is manufactured here does not seem to be a very large percentage.

Mr. Pilcher.—That is only a question of time. I should think that Messrs. Fairburn, Lawson, Combe Barber, Limited, would be the best persons to tell you what they think of it.

President.—We were promised a written statement which has not yet come.

Mr. Pilcher.—It is novel to me that jute machinery is not mainly composed of steel.

Mr. Ginwala.—It is not made of the kind of steel that is manufactured here.

Mr. Pilcher.—I suggest that every kind of steel will be manufactured in this country before very long.

Mr. Ginwala.—That may or may not be. The same thing applies to the coal machinery to some extent, but there is a good deal more in it than in the jute machinery.

Mr. Pilcher.—I would suggest to you, if you are going to divide the steel in the coal and jute operations into steel made in this country and not made in this country, and if you are going to oblige the firms to order one half of their requirements in this country and one half from abroad, the amount of delay and inconvenience will be colossal. Take certain sections which they have to send for from Home. There is sure to be long delay; and consequently a great waste of capital, loss of interest and so forth through this postponement.

Mr. Ginwala.—The point still remains that we cannot take into consideration any kind of steel that is not manufactured at present or will not be manufactured within a reasonable time. So unless you can support your general exposition by certain figures, your argument loses a considerable amount of its value.

Mr. Pilcher.—It seems to me to be really asking too much of a firm like Fairburn's to analyse their machinery into the different kinds of steel in the way in which you require.

Mr. Ginwala.—So far as the general propositions are concerned from the point of view of economic doctrine, they may or may not be correct. This is not the time to go into them. But when you make a statement that such and such proposal will have such and such effect, we are entitled to ask you how and on what basis you say that.

Mr. Pilcher.—I derive my impression from people who are most interested in the manufacturing process.

Mr. Ginwala.—They have not come forward to give evidence.

Mr. Pilcher.—I can only repeat that the people engaged in this particular industry are now discussing it and the industry is permeated by this feeling from top to bottom.

Mr. Ginwala.—Taking the general aspect of the question, I take it that your view is that India should in the matter of its steel industry more or less put up with whatever conditions of business that happen to exist in Great Britain or in other foreign countries.

Mr. Pilcher.—I would not say that at all. My position is this. The great manufacturers in Great Britain at this particular moment are endeavouring to confer the greatest service on India which they possibly can by rehabilitating her railways and industries. It seems to me that these proposals check that process absolutely.

Mr. Ginwala.—Is it your contention that those prices that prevail in Great Britain and other foreign countries are going to be permanently as low as they appear to be just now.

Mr. Pilcher.—The tendency is certainly to keep them down to that point

Mr. Ginwala.—Do you maintain that every time that happens with reference to this or any other industry, India must not develop that industry.

Mr. Pilcher.—My point is that ultimately a most excellent time will arrive for developing the steel trade. I want to see it developed.

Mr. Ginwala.—But at present you must stop it?

Mr. Pilcher.—Every effort should be made to give some assistance to the existing industry.

Mr. Ginwala.—Will you stop the development of the steel industry until that time arrives?

Mr. Pilcher.—You can leave it to the industry. Messrs. Cammell Laird & Co. examined the position as experts. They have the great advantage of receiving advice from a big managing agency house in Calcutta. They came to the conclusion that the present was not appropriate for attempting to expand the steel industry.

Mr. Ginwala.—What period are you referring to?

Mr. Pilcher.—They made most exhaustive enquiries in 1920-21.

Mr. Ginwala.—May I now give you the opinion that they gave us here only this week? Will you accept their opinion?

Mr. Pilcher.—I should like to hear the opinion of Messrs. Cammell Laird & Co. in Sheffield.

Mr. Ginwala.—I am afraid we cannot get you that. So far as their representatives are concerned, I can tell you their position was this: that the steel industry could not be started here just now without a certain amount of protection. That is the first point. They suggested an additional protection of 5 per cent.—that was on the old figures they had—subject to revision—by which they meant that they might have to ask for more, possibly 10 per cent. That is their opinion.

Mr. Pilcher.—I adhere to my belief that the general tendency in the steel industry of the world—I exclude the United States of America—is to slow down production.

President.—We are now talking of Cammell Laird's.

Mr. Pilcher.—Even if you gave them 5 per cent., it is very hypothetical whether they would start or not.

Mr. Ginwala.—Unless you gave that, they would not.

Mr. Pilcher.—Even if it is given, they might not.

Mr. Ginwala.—They would not think of doing so because they would not get capital. My point is, do you suggest that each time an industry that is established in this country to compete against a foreign industry finds itself in difficulties, it should shut its business until the conditions in the rival country have become normal? That is the logical conclusion.

Mr. Pilcher.—My answer is that it should not get public support.

Mr. Ginwala.—An industry is already in existence. Owing to causes over which it had no control, it is unable to compete with a foreign industry. Do you mean to say that the nation should say "We cannot help you until conditions in other countries change?" Do you think that it is a fair way of dealing with it, looking at it from the Indian national point of view?

Mr. Pilcher.—I think that those new industries in which over £200 millions was invested had an equally good case to come and ask for the nation's help. In 1920-21, they were in the same position. I don't think any industry has a right, merely because it is in difficult circumstances, to come and ask for financial assistance.

Mr. Ginwala.—The point is that certain conditions have changed in other countries.

Mr. Pilcher.—Their cost of production has gone down; here it has gone up

Mr. Ginwala.—Has cost of production gone down? You are probably mixing up the selling price with the cost of production which is a different thing altogether.

Mr. Pilcher.—Yon can work out the cost of production.

Mr. Ginwala.—We should be very thankful if you would.

Mr. Pilcher.—The reduction in the price of coal and transit charges at Home is well known. We must go on with those here and must cut them down further.

Mr. Ginwala.—Until that time, should India wait?

Mr. Peter.—It is a question whether expansion under existing conditions in India is to be encouraged.

Mr. Ginwala.—Tatas' case is this. They are at present the only people who manufacture steel. They say that unless they get protection, they cannot go on.

Mr. Pilcher.—Every pioneer industry in this country has a right to come and say that. You are establishing a very dangerous principle. Other pioneer industries all round us are now in the hands of liquidators.

Mr. Ginwala.—What is your opinion. Do you say that an industry which is important, but which finds itself in difficulties due to causes over which it had no control, should be shut down?

Mr. Pilcher.—I cannot conceive that it has no control over its own cost of production. It is a competitive industry. It is in trouble because it cannot compete with the foreign manufacturer. If it brings down its own cost of production, its trouble will be over.

Mr. Ginwala.—But at present it is dependent to a large extent on the selling price of the foreign manufacturer.

Mr. Pilcher.—That is based on their cost of production. That is proved by the fact that you have had a reduction in selling costs at Swansea absolutely *pro rata* to the reduction of the Board of Trade index of the cost of living.

Mr. Ginwala.—The pre-war price of rails was about £6, but the present day price is £8: that is £2 more. Do you suggest that this difference of two pounds represents the general rise in the cost of living and in the cost of materials?

Mr. Pilcher.—All these interests are making a tremendous sacrifice to try and sell at a profit.

Mr. Ginwala.—That is just the point. They are fighting with their back to the wall. Do you expect India to do the same?

Mr. Pilcher.—I think that if you follow the example set by the Home Government, you will get them to lower their cost of production here, but if you give them tariff assistance you will never get them to lower their cost of production.

Mr. Ginwala.—The logical conclusion of your argument is that India must always be equal to whatever conditions happen to prevail in foreign countries. Is that not what it really comes to?

Mr. Pilcher.—That is the safe rule to go on with unless you are going to subsidise all industries whenever they are in difficulties. That is a dangerous principle.

Mr. Ginwala.—Will not that mean the end of protection altogether? India must in that case under all conditions be prepared to meet the conditions of industries prevalent in foreign countries.

Mr. Pilcher.—It is the duty of the capitalists to have looked into this. If they did not work out their prospects on some such secure basis, they should not have come into the business.

Mr. Ginwala.—You say that the cost of production ought to be brought down. How can you bring down the cost of production unless you can carry on the industry?

Mr. Pilcher.—You can bring down your cost of transport and colliery production.

Mr. Ginwala.—How could the steel industry do it?

President.—Is it your argument that the increase that has taken place during the last two or three years should have been prevented? What Mr. Ginwala has suggested to you is that before any question of reducing the cost of production can arise, the firm must at least exist. If they went out of operation, the problem would disappear.

Mr. Pilcher.—You have had a number of small concerns started very hopefully but they have had to go out of existence. I cannot see why they should not have been preserved equally with Tatas. It is a most dangerous principle and it will, I think, end in the ruination of the country.

Mr. Ginwala.—We have got to take these cases as they arise. You say that they have got to bring down their cost of production. How do you suggest that the cost should be brought down?

Mr. Pilcher.—Suppose they had prosperous times, they would have had sound dividends. In order to tide over difficult periods when prices are high some are selling below actual cost price. It does not appear to me an illegitimate proceeding as it appears to you. The cost of production may go up. If you have got a fairly well-established reserve it may be to your advantage to sell below cost for two or three years of difficult times. If you can survive the high cost of production period, there is a good chance of your getting a market when the cost of production goes down and transport and other difficulties disappear.

Mr. Ginwala.—You say that the cost of production should be got down. How is the industry responsible for an increase in the cost of transport or how is it responsible for a rise in the cost of coal?

Mr. Pilcher.—This is an abnormal period of high costs.

President.—On the question of reserve, how would a company which has spent its reserves be able to get through a prolonged period of bad trade?

Mr. Pilcher.—Mr. Ginwala puts me this question: "Are you going to force a concern to go under if it is not in a position to meet the increased cost of production?" Every time the cost of production goes up firms disappear. It is only what happens in the rest of the world.

Mr. Ginwala.—I am not concerned with that question generally. I am drawing your attention to this particular industry. I wish to know how this cost should go down unless this industry has got a chance of bringing it down.

Mr. Pilcher.—It is practically an unanswerable question.

Mr. Ginwala.—Then there is an end of that. In dealing with the general question of protection to the steel industry, have you considered it with reference to the recommendations of the Fiscal Commission?

Mr. Pilcher.—Yes, I have, very carefully.

Mr. Ginwala.—There are three important conditions subject to which protection may be given. Have you considered these conditions and whether they are fulfilled in the case of the steel industry:

(1) that the industry must be one possessing natural advantages, such as an abundant supply of raw material, cheap power, a sufficient supply of labour, or a large home market;

(2) the industry must be one which without the help of protection either is not likely to develop at all or is not likely to develop so rapidly as is desirable in the interests of the country; and

(3) the industry must be one which will eventually be able to face world competition without protection.

These are the three principal conditions.

Mr. Pilcher.—I think it breaks down under the second condition. The Indian steel industry in 1913-14, thought it had a fair chance of surviving

without artificial help against the competition of a world then, was subjected to very low taxation.

Mr. Ginwala.—At present what is the position? We are not concerned with what it has been.

Mr. Pilcher.—I observe that the enunciation of these points by the Commission was followed by the suggestion that in the case of an industry possessing great natural advantages, the advantage might be so great as to preclude all question of protection.

Mr. Ginwala.—You say that the second condition is not fulfilled here.

Mr. Pilcher.—I think it is very doubtful whether the steel industry cannot survive in India without protection.

Mr. Ginwala.—Will you give us some facts which will enable us to accept your view? It is very difficult for us to accept it without them. Tatas say "Here is our cost of production at present: here are the foreign prices." We have got to see whether they can compete against foreign manufacturers under those conditions. Are you satisfied that they can, assuming that these figures are correct?

Mr. Pilcher.—I do not know how far their excessive capitalisation and factors like that have brought them to the position they are now in.

Mr. Ginwala.—The question of over-capitalisation hardly arises at present. We are dealing with what they are doing at present—with the old block.

Mr. Pilcher.—I think the best answer is that they went in with their eyes open when the price of steel was £7. They were satisfied with the character of their resources: they went on and did extraordinarily well. I do not think it is at all fair for them now to come to the country and ask for help because they have come upon evil times.

Mr. Ginwala.—That is to say, it does not matter to the country whether all this capital that is sunk in the steel industry or other interests that have sprung up, come to grief?

Mr. Pilcher.—It is lamentable that £200 millions of subscribed capital was lost by the small industries which were floated in 1920-21.

President.—Surely that was the authorised capital, not the subscribed capital?

Mr. Pilcher.—In any case it was a very much larger sum than what was invested by Tatas. A very large proportion of that sum was paid up.

Mr. Kale.—You are putting it from the statistics compiled by the Statistical Department?

Mr. Pilcher.—You can ascertain this from the expert Chartered Accountants here who are engaged in the liquidation process.

President.—I am suggesting to you that the amount of capital actually paid up was much smaller.

Mr. Pilcher.—Capital considerably greater in extent than all the capital employed in Tata's has been lost, because the new concerns could not resist the struggle.

President.—I think the Registrar of Joint Stock Companies will be able to give us the information. The authorised capital is sometimes more than twice the paid up capital.

Mr. Ginwala.—What year are you referring to?

Mr. Pilcher.—The flotations went on till 1921. I should think that in Calcutta it was mostly paid up. My recollection is that after the boom period about 60 per cent. was paid up.

Mr. Ginwala.—Here are the figures of Joint Stock Companies up to the end of 1920. The total authorised capital was 548 crores and the paid up capital was 128 crores up to that date.

Mr. Pilcher.—We had not then finished the boom and it is very dangerous to go on pre-boom figures. Investment money was forthcoming here and the concerns took it readily. Their case was equally strong with Tatas and entirely parallel, but they have never asked for help.

Mr. Ginwala.—Here is an industry and other small industries who have invested crores of rupees. The question is would it be cheaper for the country to give protection and save this investment or wipe it out?

Mr. Pilcher.—Very much cheaper to wipe it out.

Mr. Ginwala.—You do not think that it will have any prejudicial effect on the industrial development of the country if such a big industry comes to grief?

Mr. Pilcher.—I think it will have a temporarily prejudicial effect.

Mr. Ginwala.—Won't it mean a set-back to the industrial development of the country for some time?

Mr. Pilcher.—I still think that an interest like Cammell Laird will take up this proposition sooner or later.

Mr. Ginwala.—I have given you already the opinion of the representatives of Cammell Lairds and that is what they stated only early this week.

Mr. Pilcher.—I still adhere to my conviction that, if coal and railway transport once come down, you will get capital in this industry all right.

President.—I think we are rather covering the same ground.

Mr. Ginwala.—Do you consider yourself a Free Trader?

Mr. Pilcher.—I do not wish to discuss my general economic views.

Mr. Ginwala.—Having regard to the fact that duties must be levied for revenue purposes, is it possible for India to be a Free Trade country in that sense at any time?

Mr. Pilcher.—I think every care has been, and can be, devoted to the reduction of revenue tariffs.

Mr. Ginwala.—Do you think that India can give up its revenue duties and become a Free Trade country now?

Mr. Pilcher.—In the sense that the duties are levied for revenue purposes, it is a Free Trade country now.

Mr. Ginwala.—We have some duties which come very near being protective.

Mr. Pilcher.—To that extent it is a protectionist country. I think the heavy customs revenue is largely due to the exceptional conditions that we have been through. It is desirable to lower these duties, if possible.

Mr. Ginwala.—Will you suggest in order to make the country a really free trade country any countervailing excise duties?

Mr. Pilcher.—In the case of cotton I would keep the excise duties on the level of the import duty.

Mr. Ginwala.—There is a duty of 15 per cent., I believe, on jute. Would you recommend any countervailing excise duty on jute corresponding to the import duty?

Mr. Pilcher.—Jute coming into India is ridiculously small in quantity and it does not matter much.

Mr. Ginwala.—If the free trade argument is carried to excess it must imply the imposition of countervailing excise duties against import duty. Supposing there was an import duty on jute, would you agree to a countervailing excise duty on jute?

Mr. Pilcher.—The question is so purely academical that I can hardly answer it.

Mr. Ginwala.—It is in keeping with free trade opinion. Supposing there was an import duty for revenue purposes would you support a countervailing excise duty on free trade grounds?

Mr. Pilcher.—There are no importations, I think.

Mr. Ginwala.—Supposing there was an import duty, on free trade grounds will you support a countervailing excise duty?

Mr. Pilcher.—Is it your meaning that I should put the jute industry on the same level as cotton industry? If so, there is absolutely no ground for treating it differently.

Mr. Kale.—I should like you to tell me how the Indian cultivator will be affected by an increased duty on steel. Take the ordinary cultivator living in the village and cultivating his own field. Take his standard of living and tell me how his standard of living will be affected by an increase in the price of steel. You have referred so often in your statement to the 300 million Indian cultivators whose interests ought to be safeguarded that I should like to know how the standard of living of the ordinary cultivator is likely to be adversely affected by a duty on steel.

Mr. Pilcher.—I have distinguished in my paper there between the non-surplus producing and surplus-producing cultivator. I think the non-surplus producing cultivator who consumes practically all his produce, or exchanges all his raw textile produce for his food for daily consumption, I think the effects on him would be rather indirect except through the additional cost of elementary agricultural implements.

Mr. Kale.—So that in the first instance, you distinguish between one class of cultivator and another, namely, the cultivator who has a surplus to sell and the cultivator who has no surplus to sell. What is the proportion?

Mr. Pilcher.—In the case of the cultivator who has no surplus to sell, his agricultural implements will cost more in case the price of steel goes up. His *kodalis* will cost more: his enamel will cost more: his standard of living is so limited that he cannot be very much affected. But even he will be affected indirectly by the raising of transit dues and by the indirect results produced by any fluctuations in exchange.

Mr. Kale.—What is the proportion of these two classes of cultivators?

Mr. Pilcher.—That could easily be ascertained. Probably Mr. Datta gives us an idea of that.

Mr. Kale.—We may form an idea from what is stated in the Government of India's memorandum published with the Babington Smith Committee's report on currency. They have stated that about 40 per cent. of the Indian cultivators are more or less labourers.

Mr. Pilcher.—I remember that was the sort of figure I have also seen.

Mr. Kale.—So that you will have to eliminate one-half of the cultivating class from your calculation.

Mr. Pilcher.—Except in so far as agricultural implements and the smithy are concerned.

Mr. Kale.—Take a cultivator. Look at the capital with which he cultivates his land. He has got a plough, of which the ploughshare alone is made of steel, and a pair of bullocks. The price of the plough which he uses will not be appreciably affected by the increased price of steel. He does not live in a house in building which any steel is used. He does not own a motor car and he does not even travel by rail.

Mr. Pilcher.—But I do not think he is the man on whom India depends for her progress.

Mr. Kale.—To that extent your statement must be modified.

Mr. Pilcher.—I carefully excepted him.

Mr. Kale.—Let me make it plain; half of the cultivating classes will not be affected except indirectly by any increase in the price of steel.

Mr. Pilcher.—They are the lowest and the least progressive class in India.

Mr. Kale.—The second class comes in, according to your view, through the balance of trade and the exchange rate and railways?

Mr. Pilcher.—Everything that tends to impede transit or the development of transit.

Mr. Kale.—Can you give me an idea as to the average surplus raw material that this class of cultivator has?

Mr. Pilcher.—I fancy Mr. Datta says that he consumes ⅔rds of the whole quantity and has ⅓rd as exportable surplus.

Mr. Kale.—You may take it from me that in the case of wheat, for instance, about 1/10th is exported out of the total production, and in the case of rice a minute proportion is exported and with regard to other cereals practically nothing is exported, about 4 per cent. of the total production of food grains being exported. If this is the case, you must tell me how the cultivator is going to be affected?

Mr. Pilcher.—The Indian Fiscal Commission devoted a whole chapter to this subject.

Mr. Kale.—I am here concerned with your arguments. You say that those who have surplus to sell will be affected by any increase in cost of transport. If the proportion of the total exportable raw materials is very small, then the adverse effect on the cultivator may not be very considerable.

Mr. Pilcher.—The actual export may be very small, but the encouragement and the incitement that the export trade gives to the production of a surplus is of vital importance to the welfare of the agricultural classes. It has been held—I cannot remember by whom—that if you tax that surplus and the surplus ceases to exist, you cut almost at the root of the operative capacity of the agricultural classes. The fact that the surplus is going abroad keeps production always well above consumption, and this is one of the factors which go to prevent famine.

Mr. Kale.—The export of food grains and raw materials will be governed by the demand outside India?

Mr. Pilcher.—Governed by the prices.

Mr. Kale.—If the demand outside India is very large there will be a good market for Indian food grains and raw materials?

Mr. Pilcher.—If the Indian prices are satisfactory.

Mr. Kale.—The export of groundnuts has increased during recent years for instance, which is on account of demand. Then it comes to this, that the effect upon the cultivator will be indirect and will be confined to a small section of the total agricultural population and not to the whole of the 300 millions.

Mr. Pilcher.—I cannot agree to that. I think the effects of the exportation on the welfare of the agricultural community is very subtle. This subject is developed in a clear way by the Indian Fiscal Commission in their report. I give the Board a special warning.

Mr. Kale.—Do you think that exports are an end in themselves or means to an end?

Mr. Pilcher.—I have shown in my paper that since 1820 the increase in the agricultural population comes to about 200 millions.

Mr. Kale.—It may be due to absence of war, improvement of sanitation, etc.

Mr. Pilcher.—It is due to the encouragement given to the Indian agricultural exportation.

Mr. Kale.—These are what are called natural restrictions to population. The security which the Government has given to the country has largely increased the population.

Mr. Pilcher.—The security given by the British Raj by itself could not have increased the population.

Mr. Kale.—It is the peace and orderly government we have had, not the increase of exports, that has contributed mainly to the growth of population.

Mr. Pilcher.—Mere security without adequate facilities for export would never have secured the increase of the population.

Mr. Kale.—What I was putting to you is this: the internal trade may be many times more important than external trade. I believe that the internal trade of India is at least five times as much as the external trade of India. You have quoted a figure as regards foreign trade in India. You have given the value at 500 crores but the internal trade is worth 1,500 crores, so that, if the Indian cultivator is able to exchange his food and raw materials in the industrial and commercial towns which might be created on account of the development of new industries, he will not be a loser.

Mr. Pilcher.—To make this possible you must have great internal expansion.

Mr. Kale.—Suppose internal means of communication and industries are developed in the country, and the working classes make greater demands on the supply of food and other things, the cultivator will have a ready market in the country itself?

Mr. Pilcher.—If that could be secured without very severe sacrifices. You start by putting up the cost of railway construction. It seems to me a queer way of encouraging the cultivator.

Mr. Kale.—You said that the cultivator should have a sufficiently large market: whether the market is within the country or outside the country is immaterial for your argument. It is more than possible that an internal market may be created with industrial expansion in the country, and the effects of imports on exports need not affect us very much.

Mr. Pilcher.—You cannot disregard the previous course of your history. That is going to be a slow process: you have to feed 300 millions of people.

Mr. Kale.—Has it not been a slow evolution? When did Tatas start? How many years has it taken for Tatas to produce 100,000 tons of steel?

Mr. Pilcher.—But once the Greater Extensions plant works you will have a very rapid increase of tonnage.

Mr. Kale.—It is not a very rapid evolution or change?

Mr. Pilcher.—I think the evolution will be extremely rapid if you give them higher protection now.

Mr. Kale.—You lay particular stress upon the fact that you must provide some means by which you can get the value of your exports into the country?

Mr. Pilcher.—Yes.

Mr. Kale.—If a policy of protection is adopted imports would be restricted?

Mr. Pilcher.—Yes.

Mr. Kale.—If the imports are restricted there will be no bills by means of which the exports could be financed?

Mr. Pilcher.—Yes.

Mr. Kale.—Don't you think that trade should be left to adjust itself? You say that "if the import of steel is restricted, if the import of cotton goods is restricted what will be the position of the cultivator?" Will not some adjustment take place? If steel or cotton cloth does not come into the country, gold may come or some other things may come into the country?

Mr. Pilcher.—If you disturb the metal import market you will have the same phenomenon as occurred in 1920. I don't think the majority of the people engaged in industry would care to comtemplate such a thing.

Mr. Kale.—I think it is a wrong way to go about business to say that, in order to keep the exchange right, we should adjust the flow of exports and imports. Exchange is, after all, a relation between the exports and imports, so when the exports and imports adjust themselves the exchange will adjust itself. You cannot expect Government or anybody else to adjust the exchange in order to keep these exports and imports fixed in a particular relation.

Mr. Pilcher.—I only warn the Board. The exchange mechanism has been built up on the basis of agricultural exports and imports composed mainly of piece goods and iron and steel goods. If you disturb the mechanism it

may adjust itself, but I think it is very doubtful wisdom. You have got this large population to feed.

Mr. Kale.—Is it not a fact that before the war the import of iron and steel was very small comparatively?

Mr. Pilcher.—The figures were not so different.

Mr. Mather.—In 1913-14 the figures, as nearly as I can ascertain, for imports of iron and steel, railway material and Government stores, etc., were 1,289,000 tons; in 1922-23 it was 953,000 tons. They were greater in 1913-14 than they were in 1922-23.

Mr. Kale.—These figures speak for themselves.

Mr. Pilcher.—They were then what they are now. They were most important, about 25 to 30 per cent. of the total value of imports.

Mr. Kale.—And the element of the depreciation of money has to be taken into account?

Mr. Pilcher.—I don't think there will be much alteration. The cotton piece goods and the whole of your iron and steel sections did constitute 50 per cent. of the whole imports before the war. Of course, I am speaking from memory.

Mr. Kale.—Will it be a calamity if the people produced all the cloth and all the steel within the country itself?

Mr. Pilcher.—I think it will be a calamity to the cultivators who are producing surplus agricultural products.

Mr. Kale.—I cannot understand how it will be so.

Mr. Pilcher.—At the present moment, just as in England the operative classes are discussing this tariff reform question, so here, if there is going to be a violent change, it is the cultivating classes who will feel the calamity most.

Mr. Kale.—But it cannot be a violent change.

Mr. Pilcher.—The position in England and the position in India are the result of 100 years of economic development, and you cannot break off, as it seems to me, this historic chain of development at the mere suggestion of interested persons.

Mr. Kale.—Is it going to be sudden?

Mr. Pilcher.—The change will be sudden. I think there is a danger if it is very sudden.

Mr. Kale.—How? The largest output of Tatas as far as I can see will be about 400,000 tons.

Mr. Pilcher.—The President put it to me that possibly this fluctuation will slowly proceed to adjust itself, and in reply I suggested that the Indian cotton industry would immediately suffer from the process of adjustment and this would go on in a circle.

Mr. Kale.—Is not India a debtor country?

Mr. Pilcher.—It still must be.

Mr. Kale.—For a number of years?

Mr. Pilcher.—There has been a difference since the war.

Mr. Kale.—Have you seen that the total foreign capital invested in India comes to 6 or 7 hundred crores of rupees?

Mr. Pilcher.—It must be more than that, because most of the Railways have been built up with the help of foreign capital.

Mr. Kale.—So that having regard to that India must send out every year interest upon this amount, profits upon European manufactures and what are called the Home charges? All this must go out of the country from year to year? It means that there must be an excess of exports over imports in any case, then where is the fear?

Mr. Pilcher.—You can ascertain from a long period of years what that excess has been.

Mr. Kale.—That was very large. There was, before the war, constantly a very large excess except in 1907-08. From year to year the balance of trade has been favourable and it has got to be favourable, India being a debtor country.

Mr. Pilcher.—It must be favourable.

Mr. Kale.—I don't see the apprehension that you entertain.

Mr. Pilcher.—It will become excessively favourable, and the adjustment of importations and exportations and the growth of agricultural population has depended on the balance not being too large.

Mr. Kale.—But the country must pay what she owes to other countries?

Mr. Pilcher.—She has been paying nicely for these 100 years and it was very steady. Until you had excessive importation followed by excessive exportation, things did go on splendidly.

Mr. Kale.—How is it going to be sudden and excessive?

Mr. Pilcher.—It will affect cotton and steel imports. The balance of trade will be larger.

Mr. Kale.—In the first place we need not assume that cotton imports are going to drop altogether.

Mr. Pilcher.—They now constitute only one-third of the total pre-war volume.

Mr. Kale.—There are various reasons for the drop in the imports, *e.g.*, the Manchester firms were not able to produce their cotton cloth so cheaply as they used to do before and the Indian consumer could not afford to pay high prices.

Mr. Pilcher.—I don't think it affects the exchange.

Mr. Kale.—There is no ground for supposing that imports of cotton cloth will stop or seriously decline, and I do not see how that assumption can be made.

Mr. Pilcher.—My point is that they would seriously decline.

Mr. Kale.—For various reasons owing to abnormal conditions there has been a slight decline.

Mr. Pilcher.—I think the difference between the excise and import duties has a great deal to do with it.

Mr. Kale.—With regard to coal what is your view? Should Bombay purchase foreign coal because it is cheaper than Bengal coal?

Mr. Pilcher.—Certainly.

Mr. Kale.—You do not support the argument of the owners of Bengal collieries?

Mr. Pilcher.—I support the argument to help Bengal by all legitimate means, by re-creating the chain of railway and sea distribution.

Mr. Kale.—Why should you spend money in this way when you are getting foreign coal cheaper?

Mr. Pilcher.—Precisely because this large output of Indian coal gives employment to labour and capital.

Mr. Kale.—There is then the element of protection here?

Mr. Pilcher.—I do not ask for any protection. I suggest that the railway cost should be kept as low as possible. The effect of this taxation would be to put these costs up, and it tends to restrict railway development.

President.—You suggest that the railways ought to grant favourable rates for coal to Calcutta subject to the qualification that it must be remunerative?

Mr. Pilcher.—The whole point at issue in this struggle is that people start a trade which is unremunerative and it is their miscalculation which has brought in capital. This cannot keep going on. The small firms which

came into existence during the boom have met with severe punishment and if the Board proposes to bolster up this industry—

Mr. Kale.—That was the point I was going to touch upon. Don't you see that there is a good deal of difference between the position of those companies which went into liquidation and the Tata Company? I mean the Tata Company have been in existence for many years; they have been slowly developing as the industry is being evolved while these other companies came on the top of a wave of speculation during the boom. Does not that make a difference?

Mr. Pilcher.—There is a good deal of difference from the point of view of the amount of sympathy that they deserve. I extend much more sympathy to the Tata Company than to the others, but I do not think the effect of stabilizing one or the other from the public purse is greatly different.

President.—Before going to the second section of your note I wonder whether this statement gives a large part of your case. It is not only the immediate loss which the country might suffer as a result of the grant of protection that moves you, but the fact that in your opinion it would prevent the creation of wealth which would otherwise be created. I think that was in your mind and I thought it worth while mentioning it.

Mr. Pilcher.—I felt that all the time.

President.—On page 4 of this section of your note the point you are dealing with is the claim that "iron and steel are the nation's first line of defence" . . . . and then you go a little lower down to "India has survived the greatest war in the world's history and the indigenous steel contribution to her own and the Empire's defence was limited during the whole period to 290,000 tons." Does not that really rather strengthen the argument from the point of view of national security that, if during the war India was able to make a contribution, however small, it is not safe to run the risk of another war without finding us better equipped than we were then?

Mr. Pilcher.—The British Empire and India were assaulted by the greatest military combination the world has ever seen and they have survived that attack without India producing much steel, and this seems to me an inadequate ground for disturbing the present arrangements. It scarcely justifies a far-reaching economic change.

President.—After all, the greatest difficulty of getting steel that was wanted was present in the mind of anybody who was in charge of the administration of the forces during the war.

Mr. Pilcher.—I think the necessity of having internal resources to build bridges and so on and defend the country in case of war is a point which is to be kept in view, but it should not be made an excuse for diverting the trade currents of the country.

President.—Is it not a characteristic which the war has changed in the last few years, that unless you have got a very considerable railway system you simply cannot wage war under modern conditions?

Mr. Pilcher.—No. I think that argument turns in my favour, because I always hold that you are going to impede railway development by this artificial protection of the steel industry.

President.—During the last war India had to sacrifice rails in large quantities?

Mr. Pilcher.—During the war rails had to be pulled up and transported to other fields of military operations.

President.—Naturally rails are required when there is a state of war?

Mr. Pilcher.—Yes.

President.—You have got to manufacture them. Your opportunities are very seriously limited.

Mr. Pilcher.—It is very desirable that means of transportation should be improved, as they are even more fundamental than the actual supply of

steel in this country. You have got to obtain steel more satisfactorily. We had to pull up rails and send them to Mesopotamia in considerable quantities during the war.

President.—Had the country been better equipped for the manufacture of rails, that would not have been necessary.

Mr. Pilcher.—On the basis of higher price you might stop your railway expansion by forcing up prices of rails. The necessity for cheap rails seems to dominate the position.

President.—It is not merely a question of rails, it goes into many different branches of steel in connection with the war. You must remember that great stress was laid in 1917 and 1918, on the importance of building ships in India. The difficulty then was that plates could not be manufactured.

Mr. Pilcher. From the point of view of the country's defence I agree; from that point of view the matter deserves consideration, but there is the danger of stereotyping high cost at the present time in such a way that you may diminish the ultimate possibility of achieving a steel export trade. It is quite clear that you cannot build up the steel export trade on a rail cost of Rs. 179 a ton—if you are going to perpetuate that cost.

President.—That is assuming a great deal.

Mr. Pilcher.—I fear there will be a tendency. I don't think that is going to promote efficiency in an internal industry in India. For war purposes you do want to have a permanent large surplus, for export in war times, which you could turn to war purposes directly emergency arises. It won't help India very much merely to bolster up the existing steel manufacture to the extent of 400,000 tons a year; that won't help in war time.

President.—I think 400,000 tons of steel might make a very considerable difference.

Mr. Pilcher.—From the point of view of the defence of this vast subcontinent of India, if you are going to defend this country from its internal resources—3,000 miles of northern frontier and two or three thousand miles of coast line—the total steel manufacture of 400,000 tons is a mere joke; it is mere nothing.

President.—That is hardly an argument for doing nothing.

Mr. Pilcher. -No.

President.—In the second place I would point out that, if protection is given effect to, within 5 years the production will tend to increase to more than 400,000 tons.

Mr. Pilcher.—The maximum it can go up to at this high price by putting pressure on your internal consumption would be about one million tons. But by basing it on cheap cost of manufacture and making your ultimate goal the reduction of cost, you can ultimately attack the foreign market, and there may come a period—it is not an impossible dream when India may eventually produce even 25 million tons. Personally I think the condition of Indian labour, lack of education, and so many other things will make it impossible. But there is a chance, if you can get your steel cost down and do not stereotype the present high cost, that you will get into the foreign market. To build up a steel export trade you must have cheap transport and coal.

President.—On that basis the export market will not be a fact within 60 years. If we were to suggest that, on that basis we might have to wait for another 60 years before there was any export of steel from India?

Mr. Pilcher.—If you stultify your railway development you may have to wait very much longer.

President.—It has been found in other countries that the protection of the home market to a certain extent facilitates exports.

Mr. Pilcher.—I don't know whether you have ever had a country of such vastness where the home market is so small. A home market of 1 million tons for a population of 320 millions is grotesquely small.

President.—Let me put to you another point and it is this: the moment there are two firms manufacturing the same kind of steel the process of competition sets in and the incentive to reduce the cost of production is at work. Apart from that even when there is only one firm, if it is found that the effect of raising the price to the full extent of the duty resulted in considerable restriction of the market, it is exceedingly doubtful whether the policy of the firm would be to go out for the full price to the full extent of the duty. The moment consumption is found to fall rapidly, the manufacturer has to cut his prices.

Mr. Pilcher.—It is impossible to say which way it would operate. I should have thought that, if there were two or three firms, they would be very much inclined to combine and fix prices which would keep out foreign competition and make a very wide margin of profit on the whole of their production, and satisfy themselves on the return to their capital.

President.—Does not that assume that there is no supervision on the part of Government or the Legislature? You think the Legislature and Government would sit idle and permit the firms to form a combination and quote their own price?

Mr. Pilcher.—They would almost certainly be flouted. In the small development of 10 years what has been the result? You have got the Tata concern which consumes 1½ million tons of coal. I think this is a very serious consideration in silencing the firms which are not coming to discuss the situation with you.

President.—We are not talking just now of Government interference to prevent them making any profits so as to endanger their shutting down, but as to whether, if the profits of these various manufacturing firms were found to be very high, it is not likely that Government and the Legislature would reconsider the matter.

Mr. Pilcher.—It would have created very strong vested interest. You have already created a vested interest in the coalfields. People who are supplying that coal are already contemplating the future. Although it is only a few collieries which supply the 1½ million tons, the stoppage of Tata's will have a most serious effect on the whole coalfield and most collieries must suffer.

President.—It does mean that vested interests will crop up. One understands the general argument quite well. Under a system of protection they are all the more stronger.

Mr. Pilcher.—No State that has started with a protective tariff has succeeded in turning back. I don't think there is any historical instance where a State has turned back.

President.—Steel rails were freed from duty for about 10 years in America.

Mr. Pilcher.—That did not apply to the whole American steel market.

President.—Most of the steel, I think. For a period of more than 10 years the American market was absolutely free for the entrance of foreign steel.

Mr. Pilcher.—Only some steel rails appear to have been imported and that was for their own purposes.

President.—It was not rails.

Mr. Pilcher.—It was about 1911 or thereabouts that the tariff was taken off the rails.

President.—1914-22: it was a war period. They have gone back now.

Mr. Ginwala.—By 2½ per cent.

Mr. Pilcher.—Yes. It was a period of immense prosperity for the American trade. This particularly applies to rails, but does not apply to all forms of steel. It was a war time measure to lower the cost of production.

Mr. Ginwala.—It has nothing to do with the war.

Mr. Pilcher.—Blooms were free from 1914-22.

President.—On page 9 you say "The figures of world production which I have already quoted go far to disprove the assertion that over-production on a large scale is influencing the dumping of iron and steel in India's market." The figures you refer to will show that the 1921 production of steel was very substantially smaller than that of 1913. I do not think anybody has claimed that the present state of affairs has arisen because the world is producing more steel than it used to do but that the world is producing more steel than it wants. You have over-production if there is only a demand for 20 million tons and you are producing 21 million tons.

Mr. Pilcher.—I think one of the witnesses said that the present state of affairs was due to the enormous expansion in the capacity for steel production which went on during the war.

President.—The point is that more steel is being produced than is wanted, at any rate at a remunerative price to the manufacturer. Besides that there is little prospect of prices going higher because the moment there is a slight rise additional plant comes into operation and pulls the price down.

Mr. Ginwala.—The world is now equipped for the production of more steel than ever before, but there is no sufficient market for the amount of steel that it can produce.

President.—There has been a great increase in the capacity and a great reduction in the actual consumption.

Mr. Pilcher.—I still think that the world, which consumed 76 million tons in 1914, is capable of consuming more than 41 million tons, which was the total consumption in 1921-22.

President.—The United States' production this year will greatly exceed 41 million tons.

Mr. Pilcher.—It has a great internal boom. Every one knows that it has made itself more or less a self-contained unit. It is fighting for its own market. It has a local boom, which the rest of the world has no experience of.

President.—I do not clearly follow your argument. All I say is that the claim is not that the demand is as it was before the war. The claim is that the capacity to produce has increased and that consumption, apart from the United States of America, has very greatly fallen.

Mr. Pilcher.—The whole of that I admit.

President.—I don't think that there was any question of increase in production.

Mr. Pilcher.—There has been a reduction of almost 50 per cent. in the actual production since 1914. Has the consuming capacity of the world been reduced since the commencement of the war?

President.—"Consuming capacity" has no meaning, except what it actually consumes.

Mr. Pilcher.—In 1914, it consumed 76 million tons. In 1921-22 it was afforded a chance of consuming 41 million tons. It looks as though there is some sort of rough relationship between these two figures. The producers have deliberately stopped production and they are trying to assess the world's consuming capacity. My point is that they are not over-producing deliberately and just throwing it on the world in a malicious fashion.

President.—Nobody has ever asserted that.

Mr. Pilcher.—The very word 'dumping' has been used.

President.—As to what Germany might do.

Mr. Pilcher.—Germany has a population of 55 to 60 millions. These people are managing somehow with that reduced quantity of nine million tons of steel. Will you compare it, say, with their pre-war figure of 18½ million tons?

President.—They are all beginning to work up towards their pre-war production, but the serious thing is that prices have fallen.

Mr. Pilcher.—The case put to you is that India is suffering from artificial low rates due to this over-production. That is the argument that is employed.

President.—You can take it from me that argument has not been placed before the Board. The argument is that the world steel plants are capable of producing more steel than the world can pay for, even at the present prices.

Mr. Pilcher.—I am perfectly sure of that. It is quite clear.

President.—That is all that is claimed. Nobody has suggested that directly they are producing steel and throwing it on to the world.

Mr. Pilcher.—I have tried to prove to your satisfaction that the reduction in producing capacity may be very much greater than appears on the surface. Actually they are producing a great deal less than in 1914. The labour employed must be also very much less.

President.—Undoubtedly.

Mr. Pilcher.—Whether the plant is or is not there, it does not affect the point.

President.—The importance of the difference due to the existence of the plant is that it prevents any chance for several years to come of any rise in the price.

Mr. Pilcher.—It may do so.

President.—Prices must be low because as soon as you get a rise of Rs. 10 in the price, new blast furnaces are lighted up and the steel works can at once easily increase their production and then prices will go down.

Mr. Pilcher.—It assumes fluidity of labour, capital and all sorts of conditions. Labour cannot suddenly be mobilised for that sort of work. For practical purposes their productive capacity is greatly reduced. It looks to me as if both the producing and consuming scale of the world has been reduced.

President.—What has been reduced?

Mr. Pilcher.—The effective producing capacity has been reduced.

President.—For instance you would not say the steel plant in the Ruhr has ceased to be effective because at present they are not allowed to produce?

Mr. Pilcher.—The plant is most effectively in the condition of non-production.

President.—Even more serious than that is that, with all these plants out of the market, steel prices are not going to rise.

Mr. Pilcher.—I don't think that we want prices to rise.

President.—From the point of view of the steel manufacturer, it is argued that prices are exceedingly low and they are going to stay.

Mr. Pilcher.—The British shareholders consider that prices are not low enough. The whole object of their existence is now to reduce the price. Lord Furness expressed it in submitting the accounts of the Cargo Fleet Iron Company for 1921.

President.—Pardon me. What he said was that coal and railway expenses must be brought down. He said nothing about bringing down the price of steel. There is a great deal of difference between the two. Messrs. Burn & Co. and other engineering firms assure us that it is all important that the price of raw steel should go down, but that the price of fabricated steel should go up. Similarly Lord Furness regards the coal prices and railway rates as outrageous, but thinks that the price he charges for steel has been exceedingly moderate.

Mr. Pilcher.—His point is that their selling prices are not low enough to tap the market completely, but they are trying to bring their costs down to get into the market more effectively. That is my reading of it.

President.—This is what he says. "In the depressed state of trade that exists to-day we must stimulate demand by cheaper prices; consequently

the moral of these figures is that very considerable reductions are imperative in the near future, both in coal prices and railway rates, if our industry is to recover its position in the markets of the world." I still think that he should have referred more to the reduction of prices in other things than to the reduction of price of steel.

I think that it was not until the year 1922 prices in Great Britain had reached the bed-rock level. If his speech was written when prices were substantially above the lower level which they attained later, it would be open to us to reply to your argument that the result he desired had already been attained. However, I do not know whether it is worth while going into that in greater detail.

On page 15 dealing with the accounts of the Tata Iron and Steel Co., you say "The nett sum placed to reserve during the course of that long and generally prosperous period, was 17 lakhs of rupees (as opposed to depreciation which absorbed 295 lakhs)." The only point I would like to mention in this connection is that out of the sum allotted for depreciation —this is the figure which Mr. Peterson gave us—Rs. 117 lakhs was definitely allotted to the construction of Greater Extensions. I put it to him in that case that it was inaccurate or misleading to describe it as depreciation, which meant something else, and there was a good deal of discussion on that. But as far as we have been able to make out something like Rs. 1 crore seems to have been spent on new capital expenditure out of the allotment for depreciation. If they had allotted depreciation merely in accordance with the commercial practice, it would not have exceeded Rs. 2 crores. It is very difficult to get at the exact figure. In that respect, the published accounts of the Company are less favourable to them than the facts are.

Then on the same page a little lower down you say "with a total ordinary, preferred and deferred capital of Rs. 2,31,75,000 the Company showed a total net profit of Rs. 2,35,09,000 or some four lakhs more than its working capital." I don't think you mean working capital. Working capital is used in a different sense usually. You mean capital in operation or something of that kind—producing capital. 'Working capital' is used merely to cover the money that is borrowed in order to meet the cost of production before you are paid for what you are producing.

Mr. Pilcher.—Yes.

President.—On the question of dividends what the Tata Company have claimed is "Excluding the amounts written off for depreciation and reserve, the amount actually paid in dividends from the profits has amounted to 8.78 per annum on the whole capital invested over a period of 15 years." That was up to the end of 1921. If you look at the year 1922-23, you will see that the percentage has gone down.

Mr. Pilcher.—Does that include barren years—years of development?

President.—I was going to put that question to you. What do you think is reasonable that a company should do?

Mr. Pilcher.—If it had been a prudent company managed by one of the best managing agents in Calcutta, whatever their prosperity, they would not have paid any dividends for five or six years.

Mr. Ginwala.—The Tata Iron and Steel Company did not give any for that period.

President.—What is your view on that question? Any steel manufacturing company has to calculate on its period of construction lasting for a period of five years before steel is finally manufactured. Is it not reasonable in the dividends of future years to make some allowance for the barren years that have taken place?

Mr. Pilcher.—They have made a most generous allowance. The deferred shareholders who at no time represented more than Rs. 14,50,000 of the company's total capital received Rs. 80 lakhs as dividend—that is five or six times the capital itself.

President.—That is a little away from the point I am putting to you. It is not a question at the moment what was the interest on any kind of capital, but taking all the facts into account, profits have been too liberally distributed.

Mr. Pilcher.—I think they have been, considering the unlooked for prosperity and obviously precarious nature of the Company's prosperity. The firm was distributing its profits far too liberally. The times were abnormal and their success was also abnormal. These facts should have been recognised.

President.—The first dividend was paid in 1914-15 or about that date. The dividends were paid out of the capital for two years which must be for preference shares. In 1912-13 the amount of dividends paid was a little over Rs. 12 lakhs and it rose in three years to Rs. 54 lakhs and then there was a big drop for one year and it now is between 40 and 50 lakhs. Do you think that on the whole the distribution of profits as dividends was entirely lavish?

Mr. Pilcher.—I do. It was hardly prudent to distribute the dividends so liberally.

President.—The distribution is to a large extent determined by the Articles of Association, once the company is formed. After all the preference shareholders would only get their 6 per cent. As between the ordinary and deferred if you pay under the Articles of Association a fixed amount, you cannot help it.

Mr. Pilcher.—They seem to have issued new deferred shares some years later.

President.—The new deferred shares have never had any dividend.

Mr. Pilcher.—I do not know. I should like to know whether there are any precedents in any industrial undertaking for this. I have never heard of it.

President.—Plenty of precedents can be found in Great Britain, founders' shares and so on. With reference to the statement "During the nine-year period 1912-13 to 1920-21, the total of dividends paid amounted to 291 lakhs. Of that sum the deferred shareholders, who at no time represented more than Rs. 14,59,000 of the Company's total capital received no less a sum than 80 lakhs of rupees", my point is, if once you have decided on the distribution of dividends on the ordinary shares, the distribution on the preference shares followed automatically. It is quite a fair criticism to say that the existence of such deferred shares is an undesirable feature.

Mr. Pilcher.—I limit myself to that.

President.—Personally I should be inclined to agree with you. It is always possible, but if you have a certain number of these shares, it may make it easier to get the ordinary capital subscribed

Mr. Pilcher.—Yes.

President.—If people have a chance of getting a fairly big return on part of this investment, they are more ready to subscribe.

Mr. Pilcher.—Yes.

Mr. Ginwala.—You were laying great stress on what Lord Furness said. Just look at the figures he has given. He says that the pre-war price of steel was £7 per ton and that the present price is £8-10-0 per ton. You maintain that this was very nearly their cost of production.

Mr. Pilcher.—Yes.

Mr. Ginwala.—Take those figures which he gives further on. He says that in 1913 the price of coal was 13*s.* per ton. It was in that year (1922) 28*s.* a ton. Now take the most conservative proportion of coal which is 2 tons—I don't believe any one uses less than 2 tons for each ton of steel —probably it is three tons or more. The difference in cost of coal is thus between 30*s.* and 45*s.* The freight on finished steel increased by 14*s.* 8*d.* Before the war it was 14*s.* I am not including the labour in it at

all. Thus if you take two tons of coal, it gives you 44*s.* extra cost. If you take three tons of coal, it gives you £3 roughly extra. Therefore if £7-10 was a fair and reasonable price in 1913, the British manufacturer cannot now sell at a profit for anything less than £10, whereas he is getting only £8. I don't know whether these figures are right or wrong. From these figures it is pretty obvious that the British manufacturer is losing.

Mr. Pilcher.—Do you suggest that the whole lot is being sold at a loss?

Mr. Ginwala.—You can draw your own inference from the passage you yourself relied on. That makes no allowance for increased wages which have been estimated at about 40 per cent. in the steel trade, though the cost of living is about 70 per cent. more than the pre-war cost. If you make any allowance for these, probably he will be losing £3 a ton.

Mr. Pilcher.—I cannot answer.

Mr. Ginwala.—You maintained that £8-10 was the price at which the British manufacturer could sell at a profit.

Mr. Pilcher.—It is incredible that the steel industry in Great Britain and Belgium was working at a loss.

Mr. Ginwala.—I am only quoting your own figures.

Mr. Pilcher.—During the war by the improvement of organisation and so forth, the cost of production in those great concerns in England and on the Continent has been brought down to an extremely low level. More concentration, improvement of mechanical means and all sorts of things must account for this low price.

Mr. Ginwala.—We are comparing now the pre-war price with the present price.

Mr. Pilcher.—You ask how is it possible for them to sell at a low price? My reply is that I cannot understand it except in a general way. The improvement in these Home factories in the matter of organisation during the war was prodigious. They have got their overhead cost, their superintendence and things of that kind so greatly improved that they can lower their prices.

Mr. Ginwala.—I am simply stating a fact on these figures as it appears to me. Take the United States prices on the same basis. The pre-war price of rails was 28\$. At present, it may be taken at 43\$ which is supposed to correspond to international rates. There is an increase in the proportion of 28 to 43\$. Now if you take the British price and work out the post-war price in that proportion, you will get about £10-10-0 or 10-15-0. That ought to be the price in Great Britain now if the American proportion applied. There is practically hardly any tariff on rails in the United States. So the United States price must correspond to the world price of rails landed in the United States.

Mr. Pilcher.—They have got their big protected domestic market.

Mr. Ginwala.—There is no question of protection as regards rails.

Mr. Pilcher.—The necessity in the case of protected America for obtaining an entry into the foreign market does not compare with the British necessity. Lord Furness has got to get into the foreign market or has to shut his work down.

Mr. Ginwala.—He is suggesting the same combination as in the United States in the next extract.

Mr. Pilcher.—The combination of British steel interests would bring down the cost again.

Mr. Ginwala.—Can Tatas combine with anybody else here?

Mr. Pilcher.—I submit that if Tatas in India could obtain the kind of ability which Americans obtained in 11 years—America had her steel protected between 1871—1882—if Tatas or any other steel interests in India could find Indian labour as adaptable and so forth as the American labour, you would not have this difficulty at Jamshedpur

Mr. Ginwala.—I will analyse the cost of production now. You have taken a few items. Labour (producing) costs which stood at Rs. 13·99 in 1916-17 rose to Rs. 17 in 1922-23. Do you think, assuming that wages have gone up by 40 per cent., that is a very great increase?

Mr. Pilcher.—I don't desire to criticise those figures. I don't think I was criticising them.

Mr. Ginwala.—It is well known that wages have gone up.

Mr. Pilcher.—Quite so.

Mr. Ginwala.—Therefore they must have relation to labour costs?

Mr. Pilcher.—That was not meant to be a criticism. It was a mere analysis.

Mr. Ginwala.—But you base your argument on that.

Mr. Pilcher.—Would you mind reading that portion?

Mr. Ginwala.—You say "That policy has been pursued consistently in the chief steel producing countries of Europe. Labour, coal and transit costs, as well as wages and taxation, have been progressively reduced while in India the process has been the reverse or, at best, the elements of cost have remained stationary at or near the inflated figures current during the war." Then you give this as an illustration. I am trying to point out to you that what took place in Great Britain and other places, was different from what took place here. There the wages went up during the war, but here the wages went up just about the time of the armistice or a little later. The rise in the wages was due to the general rise in the cost of living.

Mr. Pilcher.—Apart from the increase in labour costs, the increase in other things is remarkable. I don't pretend to understand it.

Mr. Ginwala.—You say gas producers accounted for Rs. 13·52 as compared with 5·51.

Mr. Pilcher.—That is in a single ton of output of steel.

Mr. Ginwala.—Have you followed the rise in the price of coal?

Mr. Pilcher.—I am aware of that. But I cannot remember what argument I am using.

Mr. Ginwala.—You are trying to show that whereas there have been savings in these directions in other places, they are going up in this country. I am trying to point out that the rise must have some relation to the rise in the price of coal, labour, etc. All that turns upon more or less the price of coal for which you can hardly blame the industry.

Mr. Pilcher.—I don't think I am blaming them. What I am suggesting is that by this artificial encouragement you will only be stereotyping the present high costs and diverting them from the natural course of the industry, which should be to bring down costs of production. Prosperity for the industry cannot come in any other way. I am perfectly certain it cannot come.

Mr. Ginwala.—How can the industry control the price of coal?

Mr. Pilcher.—They can go slowly until railway rates and coal prices have fallen in India. If you put this steel duty on, I believe those prices will start going up.

Mr. Ginwala.—How can the industry check the rise in those prices?

Mr. Pilcher.—They will have to wait till the proper time comes. Let them wait for three or four years more. Things will improve.

Mr. Ginwala.—Coming to the dividends you say first of all with regard to deferred shares that they have paid Rs. 80 lakhs in dividends during the nine years from 1912-13 to 1920-21. Have you seen that they have got more than that back for the Company from the deferred shares? It is a point about which much has been said in your letter. If it is true that they paid Rs. 80 lakhs in dividends, when they issued the new deferred shares they got about Rs. 99 lakhs by way of premium.

Mr. Pilcher.—I want to ascertain how they treated this windfall.

President.—Owing to the high dividend they had distributed they were able to issue the new deferred shares. It is really equivalent to a reserve which is invested in the business.

Mr. Ginwala.—The point is that whatever they paid by way of dividends they got back to the Company.

Mr. Pilcher.—On the basis of their prosperity over five or six years of abnormal conditions, the Company in 1916 issued new deferred capital and now, five or six years after that period, the Company come and ask for Government help, saying that they cannot carry on. This is a very important point. That is the measure of the prudence of their finance five or six years ago and that is the kind of company you now want to bolster up. It throws a good deal of light on their ways.

Mr. Ginwala.—We are just discussing the finance of the Company as it appears now on the figures before us.

Mr. Pilcher.—It does not still make me approve their system of deferred shares.

Mr. Ginwala.—You say that they do not lay aside sufficient money by way of a reserve out of their net profits.

Mr. Pilcher.—Yes. It was a very abnormal period and I think elementary prudence ought to have suggested this to them. I think they could have been more cautious and put by something.

Mr. Ginwala.—It all depends on how you look upon your reserve. They wrote off more under depreciation during these years than they ought to have done if they had provided for actual depreciation. Instead of spending their depreciation funds they carried them as reserves.

Mr. Pilcher.—It seems to me that these heavy depreciation allowances point to the terrible rate of depreciation they were undergoing in their plant as a result of their whole-hearted work for Government to meet the Railway Board's demands.

Mr. Ginwala.—Out of the profits they appropriated about half to the depreciation account and half to the dividend fund. You cannot say that they have not made any provision for their reserve. From the dividend account they have got Rs. 1 crore nearly and from the depreciation account they have taken and invested Rs. 1¼ crores on the Greater Extensions. Only it happens to be that these reserves have been invested in the same business as capital. Do you suggest that 50 per cent. of the profits devoted to depreciation reserve is a small percentage?

Mr. Pilcher.—Under the abnormal conditions in which they were operating I do think the percentage is small.

Mr. Ginwala.—Out of the net profits that they made they put 50 per cent. roughly on dividends and 50 per cent. on depreciation reserve. Do you think it is a small percentage?

Mr. Pilcher.—I think they should have encouraged their shareholders to look to the future and they would have been willing to do that. Instead of this they got into the way of exaggerating their prospects. If you will only look at the quotations of Tatas' shares during the war you will be satisfied on that point.

Mr. Ginwala.—Supposing that this Board is satisfied that at any rate the business cannot be carried on at all unless some protection is given, what is your opinion in regard to this industry?

Mr. Pilcher.—I think a reconstruction will be the natural way. It will be on a reduced capitalisation but it won't affect the plant.

Mr. Ginwala.—But has anybody worked out as to how much it should be reduced by?

Mr. Pilcher.—You will have to get a Chartered Accountant to work this out.

Mr. Ginwala.—There are several ways in which you can reconstruct. You may go on the basis of the previous losses and you write off the losses from the capitalisation. In this case there are no losses. The next thing

is to value the assets after allowing for depreciation. In this case it the value was written down and the plant, etc., brought to its present value, would not it be the same thing as reconstruction?

Mr. Pilcher.—Yes. If you will write your plant down to your present day cost I think you will probably get at a working basis.

Mr. Ginwala.—You think that reconstruction on these lines is one of the remedies and assuming it was done by us you will be satisfied?

Mr. Pilcher.—I think on the whole that will be satisfactory.

Mr. Ginwala.—The main thing is that the value of the plant, etc., should be brought down to its present value as far as possible and profit paid on that and not more.

Mr. Pilcher.—Yes.

Mr. Ginwala.—With regard to the cost of production there is again some difficulty. Except yourself, I believe so far nobody has given any evidence against their cost of production.

Mr. Pilcher.—I have dealt with that question adequately in my second note. There is no difficulty so far as I know.

Mr. Ginwala.—We hope other people who have had now access to the papers will come forward and give us some assistance on the point.

Mr. Pilcher.—Very little has been said so far on the question of reconstruction.

Mr. Ginwala.—You say that after all the services rendered by Tatas during the war were not very great, because they were only responsible for an output of 290,000 tons. Is that little?

Mr. Pilcher.—It does not seem much when compared to the millions of tons produced by the Empire. By that statement I did not in any way wish to minimise Tata's services.

Mr. Ginwala.—India lost many lives in the war. Will you say that that sacrifice was nothing when compared to the loss of many millions of lives in the war?

Mr. Pilcher.—There must be some limitation. Suppose a man was wounded in the war and got a D. S. O. for services rendered. He has got to stop talking about it after some time. There is no use talking of this man's or that company's services again and again. Do you think that the 30 Rs. deferred holding in the Tata Company would have been sold at Rs. 1,600 if there had been no Government to buy their products? I do not wish to minimise their services but there must be some limitation to the satisfaction of one's demands for services rendered. Look at the profits that they made during that period. Have you ever heard of a steel company making such profits in the first ten years of its existence?

Mr. Ginwala.—The Railways also were able to purchase rails at lower rates than they could have got in the market. Do you mean to say that it will be unfair if the Railways are asked to make good some of the advantage to the industry? Would it be unfair to ask them to bear some of the burden now?

Mr. Pilcher.—I do not think you can reopen the war episode. Railways are limited liability companies and their accounts have been closed.

Mr. Ginwala.—Supposing it became necessary to protect the steel industry and Railways had to pay their share of the burden which the country had to bear, would it be unfair to ask them to do so?

Mr. Pilcher.—I do not care a bit about the Railways *qua* Railways: I am only thinking of the consumer. Whether it is fair or not to ask the railways to bear the burden I do not know.

Mr. Ginwala.—But the consumer also benefited when the railways benefited by being able to purchase their rails cheaper during the war?

President.—To my mind there is rather a difference between the actual war period and the period after the war. During the war period Tatas made

profits on all the services they conferred and I cannot see how they are entitled now to any further concession whatever.

Mr. Ginwala.—For the last two years, 1920 to 1922, Tatas' case is that the Railways saved Rs. 1·42 crores on the rails supplied to the companies under the contracts.

Mr. Pilcher.—Have they not bought from Tatas' at these rates?

Mr. Ginwala.—They did because they had these contracts.

Mr. Pilcher.—Tatas' allegation is that the Bengal Nagpur Railway imported rails at Rs. 120 a ton.

Mr. Ginwala.—No. We are informed that the Bengal Nagpur Railway purchased them at Rs. 132 c.i.f. Calcutta—see page 11 of their printed representation.

President.—The two years referred to by you were 1920 to 1922, but this quantity purchased by the Bengal Nagpur Railway appears to have been in 1922.

Mr. Pilcher.—But this purchase is on a basis of Rs. 109 f.o.b. Swansea.

Mr. Ginwala.—There they have given the difference to the railways. They summarise the difference and put it at Rs. 1·42 crores.

Mr. Pilcher.—What I say is that the contractual price came into effect only after the contracts were made, and in consequence of it this railway did not go to the Home market and did not buy. We have evidence here to show that the Swansea f.o.b. price was Rs. 109.

President.—Having regard to the price I suggest that it is wholly impossible.

Mr. Ginwala.—Do you think that that is no consideration whatever?

Mr. Pilcher.—I think your proposal could be very hard on the railways, but I should have to examine these figures very closely before I gave an opinion.

Mr. Kale.—The point has been put to you both by the President and by Mr. Ginwala but I want to refer to it again. You seem to me to minimise the importance of the contribution that India made to the success of the war in the matter of the supply of rails. What do you say to the view taken by some that it is humiliating and shameful and unsafe on the part of India not to have a steel industry developed within her borders so that Government may have the necessary rails and military equipment?

Mr. Pilcher.—It is deplorable indeed, but the industry should be developed on thoroughly economic lines. This proposal I should think endangers that.

Mr. Kale.—You say at page 4 "India has survived the greatest war in the world's history and the indigenous steel contribution to her own and the Empire's defence was limited during the whole war period to 290,000 tons." You mean to say that India's contribution is a drop in the bucket?

Mr. Pilcher.—I only meant that your contribution was relatively small when compared to what others contributed. The point is only relative.

Mr. Kale.—India recruited about 14 lakhs of soldiers against Great Britain's total contribution of 74 lakhs. You will say '14 is nothing when compared to 74. What is the good of having an Indian army'?

Mr. Pilcher.—That is wresting the real meaning of my real argument.

Mr. Kale.—You refer also to the navy?

Mr. Pilcher.—Will you read the relevant paragraph of my letter?

Mr. Kale.—"There is thus no case, on grounds of defence merely for the extortion from the consumer of excessive sacrifices to secure a possibly disproportionate advance in what, at most, is only one phase of India's ultimate problem of self-defence. If reasonable progress in the Indian steel industry is assured the requirements of the case will be fully satisfied." You minimise the importance of that defence: according to others, India's defence is a primary consideration.

Mr. Pilcher.—You cannot complete your defence in less than 40 or 50 years. You have still got British officers in your army. Take the whole thing gradually and cautiously and let it go ahead. I do not want to see a one sided development.

Mr. Kale.—You seem to have an easy mind over this question but a very large number of people are worried about the question of defence. You need not be told that India's defence is based on her railway system. If India is not able to supply her own rails to the military railways—take for instance the case of the new railway in the Khyber—who is going to supply them?

Mr. Pilcher.—It is desirable to consider this problem on the basis of necessity. I am prepared to admit that.

Mr. Kale.—Is it not a thing worth making sacrifice for?

Mr. Pilcher.—It is not a question here of mere sacrifice. In the human organisation reasonable sacrifices are desirable, but by this sacrifice you are going to crush development and your whole organisation.

Mr. Kale.—You would give to the consumer cheap steel rather than ensure the defence of India. It is a question of cheap steel to the consumer or the building of a satisfactory defence for India. Would you not sacrifice the interests of the consumer to the interests of defence?

Mr. Pilcher.—I won't say " No " to that, but I think the future of India's defence is bound up with the future health of the consumer and you should not do anything to damage his health.

Mr. Kale.—But the consumer will not be there: he will have been killed by the enemy in the meantime.

Mr. Pilcher.—I do not think we shall have such an emergency for another 20 or 30 years.

Mr. Kale.—You have probably heard that the Governments of the United States and the United Kingdom have been considering the capacity of all their factories for producing munitions, even in peace times. Recently the Government of the United States have made a survey of the capacity of their plants for turning out munitions in case war came on. If that is what other countries are doing, I do not think India would be foolish.

Mr. Pilcher.—I think it will be extremely well advised. But you must make perfectly sure that your policy is such that your steel production will expand. Tatas' say that they will succeed only if their cost goes down. I say go slowly even at the sacrifice of one steel manufacturer: let them bring down their costs.

Mr. Kale.—Supposing the Government is convinced on enquiry that it is absolutely essential to protect this industry—despite the interests of the consumer—on military and national grounds. Even then you would not advise Government to give protection to the industry?

Mr. Pilcher.—It will be undermining the industry: it will not be protecting it. You will only be undermining the possibilities of success of the industry: you are going to impair its domestic market by reducing its purchasing capacity, by diminishing its transport facilities and by raising the price of coal and you are going to make the foreign market impossible for it

Mr. Kale.—We are not thinking of exporting at the present time.

Mr. Pilcher.—If it is to be of any great help to the steel industry it must export.

Mr. Kale.—You have said that conditions in India are entirely different from those of the United States. Are you aware that many people who are closely associated with modern manufacturing industries have given the opinion that Indian labour picks up these new operations very easily, that it can be easily trained and that the Indian labour in a short time becomes as efficient as is desirable? That is the view expressed by many industrialists who have had much to do with Indian labour. You say Indian conditions are so different that Indian labour is not likely to be as efficient as American labour?

Mr. Pilcher.—I think the best proof is to turn to the history of the steel industry immediately after it was protected, what they did in 11 years and what has been done in India in 11 years.

Mr. Kale.—Have we not made much progress in this country? We may not have attained their standard, it may not have been phenomenal. It depends on economic conditions, but in any case it has made a satisfactory progress in spite of the social conditions and so on.

Mr. Pilcher.—Here is another side of the question. I do not in any way wish to criticize or discourage: I am only anxious to point out that any such progress as has been made has been done under entirely foreign suggestion and supervision; we must not leave that out of account. Nobody says progress has not been made, but the progress made in this country has not been such as was made in America.

Mr. Kale.—I will give you an example. The tinplate industry was started in America and was developed with the assistance of Welsh labourers. The Americans themselves could not carry on the industry for a number of years without their help and it is with the help of the Welshmen who are now domiciled in America that this industry has been fostered.

Mr. Pilcher.—That is very important. Here it has not been a mere matter of assistance. It is a matter of complete supervision and superintendence, and a very expensive assistance too. Don't you think Tatas would to-morrow abolish Europeans' supervision if they could manage without them?

Mr. Kale.—They will when the time comes. They have done so already in a number of departments.

Mr. Pilcher.—But they say they cannot go any further.

Mr. Kale.—The quantity of the Indian labour has gone up not because European labour has gone down. The two are entirely different. There is no such connection as you imagine there is. We have taken evidence on that point and we have been assured that there is no connection between these two at all. In the departments that have been completely Indianized we have been told that the working is eminently satisfactory.

Mr. Pilcher.—Completely Indianized?

Mr. Kale.—Yes. Take for instance the coke ovens department, and the chemical department.

Mr. Pilcher.—One particular case of which I had practical knowledge is that where you have got an Indian personnel of, say, 250, the presence of one or two Europeans there makes the working economical and thoroughly efficient. If you take the 2 away—it is a very small number—there would be absolute disaster.

Mr. Kale.—You know there are cotton mills in Bombay which are entirely run by Indians?

Mr. Pilcher.—I have seen that. I think the point is that you will be on dangerous ground if you push the American analogy as Tatas' do. You are going to mislead the Indian public. My object is to help in working the development of this industry, but I am sure that the Tata pamphlet dealing with the American analogy is thoroughly misleading, and it is a dangerous thing to put into the hands of those who have not got a chance of comparing conditions here with those prevailing in America. The position of the two countries is absolutely different.

Mr. Kale.—The view is very largely held in this country that Indians can manage this industry, provided sufficient opportunities and training are given to them. There is that feeling and there are certain industries which are actually being carried on with success by Indians.

Mr. Mather.—On page 4 you tell us "India has survived the greatest war in the world's history and the indigenous steel contribution to her own and the Empire's defence was limited during the whole war period to 290,000 tons."

Mr. Pilcher.—It should be steel rails.

Mr. Mather.—If it should be rails or any one limited class or classes of steel, then obviously it is hardly correct to compare it with the world's total output of steel.

Mr. Pilcher.—Can you tell me what the total Indian output is?

Mr. Mather.—On Tatas' own figures it would be nearly 400,000 tons. For the war period itself it was 300,000 tons of finished steel from July 1914 to June 1918 and the remainder of 1918 would bring it to nearly 400,000 tons.

Mr. Pilcher.—Thank you, I will revise my statement.

Mr. M. Homi, B.A., LL.B.

Written.

Statement I.—Representation of Mr. M. Homi, B.A., LL.B., Bombay, t the Tariff Board.

The Tata Iron and Steel Company has asked for a Tariff Protection of 33⅓ per cent. duty on all steel imported into India.

2. Leaving aside the merits of the case for the present, I may say that the proposition is one that affects many interests, there being two classes that are going to be affected—principally and vitally—by such impost, *viz.*, those that use such imported stuff for manufacture into other materials and the general consuming public. It is as a member of this latter class whom I do not propose to see burdened with any fresh increase in the cost of living, that I tender my statement and to show the necessity of a thorough and detailed investigation into the inner working of the industry before the granting of any such request that this representation is filed.

3. Apart from a theoretical consideration of the whole proposition, my information is based on an intimate acquaintance of the steel manufacture, both at the Tata plant at Jamshedpur and several such units in the United States of America, whence I am just returning. From my experience, I am thoroughly convinced, that of all the other industries that India has at present or may have in the future, the iron and steel industry least needs protection and is perhaps the only one capable of standing on its own legs and by itself, without any form of extraneous help, either as bounty from State Funds or as a Tariff Impost or even as preferential treatment in the matter of orders from State-owned or State-managed institutions, and judged purely on its own merits. The steel industry in India, besides being a key industry, is a potential weapon in itself that can be wielded for the regulation of other tariffs without the intervention of the State or Government, but few realize or care to study its possibilities.

4. An industry ordinarily deserves protection when it is being unfairly competed against by its foreign rivals, who are bent not so much in securing and assuring to themselves a fair market, as in destroying their opponents and secondly, when that industry is handicapped at home by certain natural or economic disadvantages that preclude the possibilities of any successful competition, as for example, lack of suitable raw materials, their great distances from the point of assembly or manufacture, high or fluctuating freight rates, transportation difficulties, irregular supplies both of materials and labour, the lack or scarcity of the latter, both skilled and unskilled, etc. The Tata Iron and Steel Company suffers from none such and so cannot come within the category of needy industries. It must stand or fall by itself. It is a question of the survival of the fittest. The steel industry has come to stay in India, it may be the Tatas that will be running it or it may be somebody else better built.

5. My representation will, in its essence, be mainly a negative proposition, meaning thereby, it will in the main be an examination and refutation of the reasons adduced for protection as also some of the principal causes why the industry is not in a flourishing condition. The positive aspect, *i.e.*, what should be done to put it in a sound basis, relates to the province of expert consultative practice, that is, is a matter of technical details and of rupees, annas and pies, and hence, for the time being, is not touched.

6. Let us examine the case:—

According to the Tata Iron and Steel Company, this import duty of 33⅓ per cent. is necessary for the protection and fostering of steel manufacture, "the industry being essential to national defence and that protection should be granted to it irrespective of other conditions laid down by the Commission."

7. The first part of the statement as such is unimpeachable and while not professing to a knowledge of "the other conditions laid down by the Com-

mission," I maintain that the stand is perfectly justifiable. Whatever conduces to national defence deserves protection, as nothing else constitutes, in the final analysis, an assurance of safety, as a fostering and conservation of one's own resources. These are the final arbiters in any emergency. We have nothing to say against this argument, the only point for determination being whether this condition forms the major part of their request for protection or acts merely as a convenient cloak for some other real motive. However much I may be inclined to be charitable, I cannot accept the proposition as totally disinterested.

8. Their second argument is that this industry is still in its infancy and as such, deserves protection. I may be permitted for the present to dismiss this argument with just one sentence, that it is not so much this industry that is in its infancy as it is the infants that are still in the industry, I mean, that are still permitted to run the show. Exactly what I mean, the elucidation will follow and gradually throughout the rest of the statement.

9. The third argument—their main argument and in the light of the evidence available before the Board and the public, it would seem their only argument—in support of such contention is that there is a certain amount of dumping going on in this country of steel goods at prices that prevent them from selling their products at a reasonable profit or indeed any profit at all. Examining the situation, we find that this dumping could affect only a part of their products and not the whole. The rails are particularly immune from such competition, as they have a standing order for a large tonnage and evidently prices would not make any difference, as they have themselves curtailed their freedom in this respect. The only portion therefore that comes under competition is that portion of the finished products that goes under the designation of structurals.

10. Taking the rails only, out of a total output in 1918, 1919, 1920 of 346,570 tons of finished product, 179,217 tons—exclusive of 7,784 tons of fishplates—were manufactured, *i.e.*, 51·7 per cent. of the total output was devoted to rails, big and small. The rest, *i.e.*, 48·3 per cent., was structurals. The Company knew well it did not make much on rails—at least on the bigger ones—it had four solid years of experience both of manufacture and of market and yet in 1920-21, two years ago, it goes all the way to Simla and arranges for a six years contract for an increased tonnage of rails and to crown all, at a fixed price, when all their experience ought to have pointed out to them the unwisdom of it all. The tonnage goes up from 51·7 per cent. of their total production to 64·6 per cent. in 1921 and 1922 for rails, *i.e.*, with all the express knowledge at their command, they curtailed their output of structurals that yielded them a better return, in favour of rails on which they made practically nothing.

11. This much so far as the wisdom for contracting for more rails is concerned. Now as regards business procedure or method. So far as my information goes, no concern in the world out for business contracts or orders for a commodity for a period that is long and never at a price that is fixed, for it cannot under any circumstances be certain of a control over the various factors, such as the price of raw materials, condition of markets, rates of labour, etc., that go into the manufacture of such a commodity. Taking the United States Steel Corporation as a prominent instance we note that it never contracts for orders for more than a quarter ahead, that is, three months for immediate delivery, but orders are booked for future supply at prices to be determined by those prevailing during that quarter when delivery is demanded, the booking of the order amounting in fact to a mere verbal assurance of such commodity being forthcoming. This arrangement they have found best and most practicable, fair to themselves as to their customers, ensuring an equitable return on their time and labour, materials and money spent. That the Tata sales organization may not have known of this method of business, but that their versatile experts did not come to their guidance and help in this respect is a matter of keen surprise and worth investigating. Without allocating to ourselves the fathoming of peoples' motives, we may be permitted to observe that this unprecedented

mode of business transaction adopted by the Tatas can only be ascribed, from an observation of their sales methods, to their disinclination to run about for sales and to assure to themselves a comfortable time and an immunity from worry. This tendency "to play safe" has landed them into a morass, for which we see no reason why the public should be made to pull their chestnuts out of the fire. My confirmed opinion is that a greater part of this personal worry for such transactions would have disappeared had they a sales organization that could take care of business as they can make, as it comes or as it is found, like any other organization of the kind. I perceive in this case yet one more instance of us, Indians, unwilling to strike out boldly for themselves and take the necessary chance, relying on an external agency, mostly Government, for a cut-and-dry programme. This, in case of the Tatas, comes as a striking contrast to the bold initiative and vigour of its great Founder, who believed in the results of exertion rather than on the fruits of benevolence. I invite the Company to publish the report submitted to them by Mr. Mott whom they had engaged to organize their Sales Forces, and my remarks about Tatas Sales Force and Method will be borne out.

12. Having shown the present deplorable plight of the Tata Iron and Steel Company, so far as two-thirds of their total production of finished goods as due to their own handiwork, in which the public had no part nor initiative I now come to the other part of the Tata's output—the structurals. I may add that with the deflation in the market values, *i.e.*, with the lowering of the prices of these stuff in the market during the slump of 1921 and onwards inducing thus lesser profits, the Tatas added to their troubles by two other factors, entirely within their control, *viz.*, the increasing cost of production side by side with a decreasing output, this latter, in turn, coupled to a diminishing tonnage devoted to the rolling of these materials on which they made the best returns. I have already drawn attention to this last, how with the increase in the production of rails from 51·7 per cent. to 64·6 per cent—the amount devoted to structurals naturally and proportionally dwindled down from 48·3 per cent. to 35·4 per cent.—a procedure that was entirely of their own doing. The public was certainly not at fault in this grave error of judgment.

13. Regarding the second point—the decreased output—I quote the figures as follows:—

Production Tonnage.

	O. H.	Blooms.	Finished Goods.
1916	139,433	123,046	98,727
1917	181,313	153,098	123,890
1918	138,949	123,127	101,988
1919	169,796	146,530	122,232
1920	170,882	150,357	122,356
1921	182,107	156,901	125,871
1922	152,573	138,440	114,700

14. The peak production for O. H. Steel was in 1917 with average five furnaces in operation and the seven furnaces have been running since March 1920, the production has not increased proportionately, except in 1921 by a mere paltry few hundred tons. The Blooming Mills merely reflect the situation in the O. H. as also do the Rolling Mills, the highest being in the same year 1921 and that by some 2,000 tons (1,981) odd over the peak in 1917.

15. We will review some of the causes for this falling off in the production later on.

Now as regards the first, the increasing Cost of Production, we can split this in two parts, the Cost of Metal and the Cost Above Net Metal. Cost of Metal in the Mills is the reflection of the cost of materials, *plus* cost of labour, *plus* cost of service, through the successive stages in which the Basic Raw Materials have travelled. Thus Iron Ore, Coal, Dolomite have

passed as Pig Iron through the Blast Furnaces, Steel Ingots through the O. H. Furnaces, and Blooms and Billets through the Blooming Mills until they reached the Rail and Bar Mills as Blooms and Billets respectively.

16. Taking therefore, first the Cost of Raw materials, we will readily observe that few concerns in the world enjoyed the unique position of a stability of and control over the prices of these Raw Materials as the Tata did and are doing. They get their ores for nominally nothing, a fixed royalty being all the price They had their own coal mines and stone quarries. A fixed freight schedule added to their unique position. The only fluctuating factor in these items was that of Labour and even then it was not so uncertain or varying—there was a 10 per cent. increase in 1916 and an additional 10 per cent. in 1920. Presuming average efficiency in the operation of mining and assuming at the same time a uniform sustained demand as was actually the case, one would expect as a necessary consequence, a more or less uniform price of these materials, increased by 10 per cent. in 1916 and 10 per cent. more in 1920. As a matter of fact, they showed the widest divergence between the theoretical cost and the actual cost.

18. As regards the Coal, it is difficult to adequately grasp the position taken by the Tata Iron and Steel Company and its responsible advisers. According to the evidence of the General Manager before the Tariff Board, the Tata Iron and Steel Company have reserves of 410,000,000 tons of Coking Coal, 91,000,000 tons of Gas and 387,000,000 tons of Steam Coal; 888,000,000 tons fuel all told—reserves in the form of mines they actually acquired, as I understand and yet the Tatas bought and contracted for coal in the market at tremendous prices for the steel works, according to their General Manager to protect themselves, in what manner I cannot conceive, while their own coal was sold in the open market It is difficult to fathom the mystery of this peculiar mode of business. Apart from the unwisdom of tying up capital in properties that were not to be developed and exploited in the interests of the concern that supplied the resources, the parent company was further mulcted in the form of the middleman's profit for every ton of coal that was consumed at the plant, and that could have been avoided had their own coal been used.

Taking even a million tons consumption a year with the Greater Extensions running at full swing, the company has supplies for 888 years in their own properties alone. Surely, they were in no imminent danger of having their reserves exhausted. I can see no protection of the Company's interests in this game. There could not be any inducement to buy in the market.

20. In January 1917, under the régime of the present General Manager, Messrs. Kilburn & Co. took charge of the Tisco Collieries, apparently because they could not be run cheaply, if we give credence to rumours persistent at that time and even that step evidently did not accomplish the desired objective, in that the prices kept soaring.

And further, what is more to the point, the quality of coal coming to the works has decidedly become poorer from 10 per cent. to 12 per cent. ash in the better grades of coal, *then* to 18 per cent. to 20 per cent. now in the same grades. Certainly Indian coal could not have deteriorated that much and not that quick, in the last two years, and I could see no reason, when good price is paid, why a good quality should not be secured. It would be interesting to know on what basis was the contract for the coal made, whether there was any stipulation as to quality apart from the supply and if the quality mentioned had any reference to its physical and chemical constituents. This coal proposition is really worth a serious thought, more so in that the unit cost of it is higher than either ore or stone, needing thus greater conservation in resources as equal economy in consumption. The situation, though complex, is an apt subject for investigation—complete and serious—for the solution ought to be plain as it is simple.

21. Summing up, cheap as the raw materials in India are and unexcelled in point of location and quality, I am very much inclined to believe they

could have been still cheaper to the Company than what they actually cost them these last few yeas. I have seen companies managing their properties themselves, efficiently and well, seldom going into the market for a product which they can raise themselves. In case of inability to raise at competitive prices they have abandoned the properties, unlocking the capital investment. The money sunk in mines and quarries by the Tata Iron and Steel Company was ostensibly for the purpose of giving this same Tata Iron and Steel Company that much advantage in the price of the materials as is represented by the operators' profit over that article. Yet notwithstanding locking up that capital, the purpose has not been achieved.

22. Turning now from the supply and prices of raw materials over which the management enjoyed a greater control than any other concern anywhere else in the world—an advantage which they did not adequately grasp and needlessly sacrificed—and even conceding for argument's sake this point in their favour that they could not have helped in the matter of raw materials, we now come to the phase wherein they are converted into various products such as Pig Iron, Ingots, Blooms, etc., in other words, the *Conversion Cost*, which costs and their tendency were already within their knowledge. The Cost of Conversion represents the difference between the final price of the product less the price of materials or metal that go into its manufacture.

23. It is one succession of upward jumps and the conclusion from all these sources could be but one. It is surprising how any one could have adopted any other course in the face of such evidence, but evidently the Tatas jumped in where others would fear to tread.

24. Thus, supposing all the external factors in the market totally subverted all the calculations of the Tata Iron and Steel Company, its Agents and its Management, here they had their own incontrovertible figure, both of Raw Materials, Conversion Cost and the Final Grand Cost which unerringly pointed out to them the path, which they chose to ignore. Now it is proposed to mulct the public because they have come to grief.

25. Summing up, the Dumping argument does not affect their rail production, which is two-thirds of their total output. Their only trouble in this respect being a fixity of price, which was their own handiwork. As regards their structural production, they deliberately curtailed the tonnage devoted to it instead of increasing it, whilst no measures seem to have been taken to reduce the cost of its production, nor to increase the total output by getting the utmost their plant is capable of.

26. After the slump of 1921, which affected the world production and world consumption of steel, but which did not hit India nor the Tatas to any such extent, stringent measures were adopted everywhere to reduce the Cost of Labour per ton of product as also the Cost of Service and Materials reducing thereby the final cost of the article. No such steps, however, appear to have been taken at the T. I. and S. Works, whose figures kept ever mounting higher. The result was that whereas the products of Europe and America represented the results of the most economical, up-to-date, and scientific methods following war time extravagance the products of Jamshedpur underwent no such drastic reorganization or economic readjustment, but if not continued in the same unsatisfactory state, took a decided turn for the worse, as we shall show presently. Naturally, they could not stand competition after the war as they did not before it. It is a case of the "best man winning." After what they did not do for themselves and by themselves or would not do, who shall say now that the Country and the Public should be blamed for any disastrous consequences?

27. One word more about the dumping proposition. I am clearly satisfied that no amount of dumping by any concern in the world can stand for any length of time against the terrific advantages the steel industry in India possesses in point of the quality and location of its raw materials, cheap abundant labour, the proximity of its markets and its sustained uniform demands, if only the Tatas' products represent normal efficiency in their production or even 50 per cent. of it.

28. I propose now to analyse first the natural resources of the Tata Iron and Steel Company—the potentialities of the Basic Raw Materials in other words—and see how they compare with average conditions in other parts of the world.

29. In Great Britain, the Jurassic Ironstones contribute the greater part of all iron ores mined and their average iron content is under 28 per cent Many of these are distinctly silicious and several of them present a problem in economic mining. The Fordingham Iron and Steel Company, in Lincolnshire, had to remove 50 feet of cover to open a bed of ore 24 feet thick, assaying only 22·65 per cent. iron. West Coast Hematites, which average about 45—50 per cent. iron, are not in any very considerable quantities. The bulk of the supplies of better grades have to be imported, the main portion being the Spanish Rubio or Algerian Ores with average iron content of 50 per cent. The smallness of the country and its surrounding seas reduce rail and water hauls, and coal, iron and flux are assembled easily and cheaply.

30. The Ores of Briey and surrounding regions in France assay about 33 per cent. iron with 6 per cent. Silica and 16 per cent. Lime—the Minette ore with only 32 per cent. Fe—and these cases are by no means unusual.

31. In the United States, the ores range anything from 36 per cent. to 49 per cent.—the average higher content ores coming mostly from the Lake Superior districts, the Vermilion, the Mesaba, the Menominee, the Geogebic ranges, etc., whence they are shipped down by water to their respective destinations. Most of these ores are so lean that they have to be concentrated in order to reduce transportation charges per unit content of iron and hence various sintering plants have been erected for the purpose. The average ore we may take as containing 49 per cent. iron. Excepting Birmingham District, in Alabama, the basic raw materials have to travel over often very vast distances before they could be brought together. Thus Pittsburgh, the largest steel making centre in the world, receives its ore 1,300 miles away. The tremendous freight charges add to the cost of ores. Another factor adds to the difficulty, in that twelve months' supply has to be laid down in seven months, during which the Lakes are open to navigation and space had to be found for the storage of this huge quantity. The Coal and Stones have also to go over a respectable haul before assemblage.

32. No such problems confront steel industry in India. A bountiful Providence has abundantly stocked her natural resources and at convenient points; so far as the situation of the Tata Works is concerned, the position is unique in the world, in that within hundred miles, as the crow flies, they can lay their hands on most all they want. Their ores are first class red hematites, 59—62 per cent. average Fe content and accessible by rail within 50 miles. Their mining does not present any problem either, being simple gulping down of whole hills. Coal, though not of the best grade, is by no means bad and is in enough quantities for any possible requirements of the dim future.

33. Taken as a whole, it would not be a vain guess to say that no concern in the world compares with the Tata Iron and Steel Company, in the strength of supply of its raw materials, their quality and their proximity. Let us turn to their quantity.

34. Iron and Steel Companies elsewhere in the world would consider themselves lucky if they were sure by any chance of at least a 100 years' supply Here the Tatas reckon their supplies by centuries.

550	million	tons of	Iron Ore (disputed by Government experts).
410	,,	,,	Coking Coal.
387	,,	,,	Steam Coal.
91	,,	,,	Gas Coal.
151	,,	,,	Dolomite.
4	,,	,,	Limestone.

35. Surely the mythical wealth of the East Indies has not died out yet, and all this in the hands of one concern. Socialists could not find a better weapon in their outcry against Capitalism, than in these figures. How many years' supply do these figures mean?

Their resources have a lasting value of—		When their Greater Extensions are in full swing their needs could not possibly exceed—		
Iron Ore	1,100 years.	Iron Ore	1,000,000 tons	550 years.
Coking Coal	800 ,,	Coking Coal	1,000,000 ,,	410 ,,
Gas Coal	600 ,,	Gas Coal	200,000 ,,	455 ,,
Steam Coal	2,500 ,,	Steam Coal	200,000 ,,	1,935 ,,
Dolomite	755 ,,	Dolomite	400,000 ,,	370 ,,
Limestone	133 ,,			

36. In passing, the question in fairness arises, whether any one concern can be permitted to thus monopolise such a tremendous amount of raw materials which, under any circumstances, it cannot utilize in the next fifty or even a hundred years, preventing further enterprise to the detriment of immediate industrial development. Surely, it is time to devise some method whereby there may be an equitable distribution of the natural resources of the country amongst concerns that are ready to take the field in the immediate future as it assures the children of the soil, who are co-partners in such natural gifts, a fair and certain participation in the benefits derived from such enterprise. I will again revert to the matter later on.

37. Having mentioned the quality and quantity of the Basic Raw Materials in which India easily leads the field, I propose to show that she holds the premier rank also in point of its price, being by far the cheapest available. The comparison will be mainly with American prices, though wherever possible, I have inserted English equivalents for those years also.

Iron Ore.

	1913	1914	1915.	1916	1917	1918.	1919	1920.	1921.	1922.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
United States of America	4 1 0	12 5 0	12 3 0	14 8 0	19 13 0	20 15 0	21 6 0	25 5 0	22 5 0	21 2 0
England		14 8 0								16 8 0

Coal.

	1914.	1917.	1920.	1922.	1923.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
United States of America	6 6 5	7 11 0	11 10 0	16 0 0	7 13 0
England	9 13 0	•		12 0 0	...

Stone.

	1914.	1917.	1920.	1922.
United States of America	3 14 5	4 1 0	5 13 0	7 12 0
England	3 1 9	.		4 8 0

38. These tables, though incomplete for certain years, give however clear and ample conviction as to the immenseness of the advantage enjoyed by Indian Basic Raw Materials that go into the manufacture of iron and steel. When to this we add the labour ratio, we simply sweep the field. In all calculations for labour, the standard of Common Labour, is adopted as a basis for comparison. Here the disparity is still more evident and I should add startling.

Labour.

	1913.	1914.	1915.	1916.	1917.	1918.	1919.	1920.	1921.	1922.	1923.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
	0 5 0	0 5 0	0 5 0	0 5 6	0 5 6	0 5 6	0 5 6	0 6 0	0 6 0	0 6 0	0 6 6
United States of America	4 6 0	5 0 0	5 0 0	6 0 0	8 0 0	9 8 0	10 8 0	11 4 0	9 8 0	8 0 0	9 8 0
England	..	2 9 0	2 15 0	3 5 0	4 6 0	6 3 0	7 10 0	7 10 0	7 4 0	5 10 0	...

39. The figures are all quoted for a day of eight hours and show, to take a recent rate, for the year 1922 that the Indian labour was fifteen times cheaper than English labour and twenty-one times less than its equivalent in America, but I cannot say it was less useful. I will revert to the subject under the heading Labour.

40. Can any one lay his hand on his heart and say that a country blessed with such resources, needs to be protected? The shoe is altogether on the other leg.

41. Having cleared the ground and established beyond a shadow of doubt the immense preponderance the Tata Iron and Steel Company enjoyed over its competitors in respect of its prime sources of manufactures, both the basic raw materials—Ore, Coal and Stone—and Labour, thirty and forty times roughly as compared to England and America—as these two countries represent for the present the most important iron manufacturing units—I will now proceed to show how they were utilized for the benefit of the industry or shall I say detriment?

Labour.

42. Counting all employees of the Tata Iron and Steel Company, that is, all those employed at the various departments of the works, at mines and quarries, town administration, etc., from 1914 onwards to 1922 we find that on an average each employee produces per year less than 5 tons on a rough estimate. As against this we have the figure of 53 tons on an average per man per year for the United States Steel Corporation and this figure has kept practically constant from a period of years from 1913 to 1921. These men include all employees from Judge Gary downwards to the humblest water-boy, in every department, administrative, accounting, mines, quarries, steamships, railroads, coke ovens, blast furnaces, steel work rolling and finishing mills, etc. Some of the subsidiary companies manufacture highly finished products, such as tubes, wires, wire ropes, sheets, etc., all of which require a large number of men. But the figures for the Tata Iron and Steel Company do not include the Bombay Office force nor their sales equipment, neither do they have steamships or railroads and do not make any highly finished products. It has recently been officially announced that in the steel works of America about 20 per cent. of the employees work 12 hours shifts but these men could hardly exceed 5 per cent. of the total employees. They also use labour saving devices in their mines and quarries, but these differences would not offset the increases over the Tata Iron and Steel Company's employees due to the highly finished products they make and the other subsidiary organizations like transportations and sales, etc., that they have.

43. Consequently at the above figure of 5 tons against 53 means that it takes about *ten men*—Europeans and Indians—at Jamshedpur to do in India what *one man* accomplishes in America—a condition that actually obtains but which I refuse to believe as either necessary or inevitable.

44. Taking now the figures for the Works alone: In 1921, one large steel company making products similar to the Tata Iron and Steel Company had an average production of finished materials per man per year of 107·5 tons. The employees counted in arriving at this figure include every man from the President downwards for Coke Ovens, Blast Furnaces, O.H., etc., employed at the plant but do not include employees at mines and quarries. Another company find that over a period of years their production under the same conditions amounts to one-third of a ton per man per day, or approximately 108 tons per man per year.

45. Comparing these figures with those at Jamshedpur and leaving out of count those employed at mines and quarries, we find the average figure of *9·08 tons per man per year* for the last three years and lesser still from 1914 onwards. In arriving at this figure we have made due allowance for the eight hour shift worked, as also for the hand loading of coke and sand casting and loading of pig iron. Outside of these latter, the Jamshedpur plant com-

pares favourably with an average American plant so far as labour saving appliances are concerned. Moreover, in considering the figure of finished products, we have given the Company ample latitude by not only counting the actual tonnage turned out but also what could have been made from the amount of Pig iron used in the foundry and sold in the market. This figure 9·08 tons per man per year works out at *eleven* Europeans and Indians at Jamshedpur needed to produce what one man accomplishes in American plants—checking very closely with the first figure of *Ten* all told from the raw materials to the finished product, meaning that at Jamshedpur is employed a *force ten times* the necessary requirements of a plant of that size.

46. One steel plant with an average total force of 813 men at the works and producing approximately 2,000 tons of sheet bars and billets per day shows the following *tons per man per day*:—

	Tons.	Tons.	
Blast Furnace	5·69	·35	Tatas' record production in 1921-22.
O.H.	8·98	·28	
Rolling Mills	7·27	·23	
Total Plant	2·46	·24	

47. The above comparison is so ridiculous that any correction for lack of labour saving devices, 12-hour shifts, effect of climate, additional men for rail mills and merchant bars, etc., could not bring them within reason. Why, the total number of men employed at the whole plant with a production four times the Tatas was less than were used at either the Blast Furnaces or the O.H. departments alone.

48. Using another comparison, the figures for the Tata Plant seem still more shocking.

	Production.	Men employed.
	Tons.	
Illinois Steel Co. (Gary)	2,260,000	10,000
Carnegie Steel Co. (Homestead)	1,500,000	9,900
Youngstown Sheet and Tube Co.	1,450,000	9,600
Republic Iron and Steel Co. (North and South)	1,004,000	13,000
Tata Iron and Steel Co., India	150,000	29,204

49. Looking to this labour problem from another angle—the financial side of it, one company over a period from 1913 to 1921 inclusive found that its total mill labour, including departmental heads but not the General Office Expense, amounted to the pay of a common labourer for 24 hours at the average rate during that period. The maximum was 49 hours and the minimum 21 hours. The figures for the Tatas work out as under:—

	Hours.	
1920	746	Is any comparison possible?
1921	736	
1922	786	

50. The effect of the climate here is not nearly as great as we are led to suppose, for the severe winters in America add greatly to the number of men employed, as also to the Cost of Production. In America five months' supply must be stocked and picked up again in the worst season of the year, a procedure that involves additional number of men, both for operating and repairs; in fact on an average about 75 per cent. of their ores is handled twice. If anything, the inconvenience of a month or two of hot weather here is more than counterbalanced by the shorter hours worked as also by the disadvantages of five months of cold season there.

51. I admit that a man can do more work in the temperate zone than in the tropics but the disparity shown above is simply beyond the bounds of

reasonable comprehension. I have the work of the Company's Consulting Engineer and from my own personal observation and contact I can vouch that our native labour, if not actually superior, is at the least the equal of the various emigrant labour that come to the United States, the Slav, Greeks, Hungarians, Pollacks, etc., in point of ability, endurance, and conscientious attention to their work. I am not prepared to believe they are inefficient or incapable—inexperienced they may be, but it does not take them long to learn and grasp the fundamentals of their particular job, to handle it neatly and well. After all, in a modern industrial organization, it is only the few that do the thinking, the rest are mere automatons that follow in the lines chalked out for them. I have seen raw farm hands who had never seen nor worked on machinery in their lives, drafted into the shops, straight from the fields, and doing most intricate work on locomotives and on machines, but under supervision, during the great railroad strike in 1922 in the United States. That's added reason why brain power in a factory counts for more than the horse-power developed therein. It is high time we disabused our minds about the popular misconception and the pet cry of the inefficiency and inexperience of our native labour. How can we expect them to do a real day's work when it is not required of them? As an instance—by no means solitary—I will quote from one of the departments of the Tata Iron and Steel Works, say the Coke Ovens. Any observer there will not fail to be struck by the presence of a veritable army of women employed in Loading Coke. They number roughly 325 in all. These ovens produce on an average less than 549 tons of coke a day, which means that all that is required of each of these women is to lift about 466 pounds of coke and carry it five to ten feet away to the wagon in one hour. This constitutes six baskets in 60 minutes. And yet this is cited as an instance of the inefficiency of our native labour.

52. From a prolonged tour of various steel plants in America last year the figures as determined by me, as to the number of employees, come to on

the Blast Furnaces	maximum number of men employed reckoned at	94
	minimum number of men employed reckoned at	47
	average worked out at . . .	75
the O.H. Furnaces	maximum	31
	minimum	24
	average	28

The number of men in the above figures include not only the men working at the plant, but also those in transportation, general labour, shops, etc. whose time is distributed among different departments.

53. I am satisfied that a thorough, searching and scientific investigation into the labour requirements of the plant alone and the employment of just the number needed for the maximum efficiency, will result in a very gratifying saving of at least 50 per cent. of the present disbursements, amounting now to between *79 to 80 lacs of rupees annually*. A clear cut *35 to 40 lacs of the rupees saving on the Labour item alone would mean a substantial return on the total investment.*

54. I am prepared to concede, but only for argument's sake, that due to inexperience and lack of stamina of our underfed and undernourished labour it may be deemed desirable to employ two men where one is used on an average in Europe and America, but I trust no sane executive could ever agree that nine to ten times as many are needed where one would ordinarily suffice and besides, we do not ask that much effort from them. They work only eight hours as against their twelve elsewhere.

55. This wanton extravagance in the number of men employed is naturally reflected in the *Labour Cost per Ton* of various products in the mills, which, despite the cheapness of our labour, turns out to be a very costly factor

in the end, in actual operation. The mythical cheapness vanishes into nothingness. We will revert to it presently.

56. Summing up, just in the matter of raw materials, so in the matter of Labour, the Tata Iron and Steel Company enjoyed a pre-eminence that few plants in the world even hoped ever to attain, and as I will show, just as in the case of raw materials so in the case of labour, they chose to throw away the very resources that would otherwise have contributed to their greatness. Is the public or the country to be held up to blame?

57. We will now go through the various phases of manufacture wherein the raw materials and the labour combine to turn out the various products and compare such operation methods as prevail at Jamshedpur with average practices in America, the American standard being stressed as the Tata Iron and Steel Company's Plant is supposed to be run by American Experts on American lines and as the market prices are mostly based, on the final analysis, on American costs, it being an axiom of economics that the general level of prices of a commodity is determined by the cost of production of that produce that is raised at the greatest expense.

58. The American figures are taken from a number of plants that are smaller, equal, or larger in size than that at Jamshedpur; that have a varying tonnage and equally varying practice—plants that have the most up-to-date equipments and labour saving devices and plants that still get a good many things done by hand labour. I could not find a steel works in the States comparable with that at Jamshedpur, in the line of tonnage and kind of products; also plants differ widely as to general layouts, age, amount of labour saving devices, etc. Hence I have collected figures from plants of different equipment, located at various sections and operated under various conditions and with a practice that is good, bad and indifferent—the average of which should be representative and their comparison with corresponding figures at Jamshedpur enlightening.

59. To show how representative these figures are, I am quoting average costs for combined production tonnages of several Coke Ovens producing upwards of 7,000,000 tons of Coke, of Blast Furnaces producing over 8,000,000 tons of Pig Iron, of O.H. Steel plants producing over 3,000,000 tons of steel ingots and of Rails over a million tons a year.

60. Because of the great difference in the Cost of Raw Materials which, as I have mentioned previously, are in the nature of Gifts of Providence and consequently beyond man's help, I have confined the figures to the Works site alone, *i.e.*, to those of Labour and All Other Costs—combined what are called *costs above*, which costs are largely within the control of the management.

61. The *total cost above* includes every and all items of Cost—except interest, depreciation, taxes, insurance, etc. No credit of any kind is given whether for gas, scrap, by-products, etc.

62. It is well to remember again at this juncture that the Tatas started with an initial advantage in respect of raw materials and labour of roughly 30 times over England and 40 times over the United States.

1914.

		U. S. A.
Labour	Rs.	5-0-0
Coke.		
All labour	Rs.	0-11.1
All other costs	Rs.	0-9.3
Total cost above	Rs.	1-4.4

Pig Iron.

	U. S. A.
All labour	Rs. 1-10.04
All other costs	Rs. 2-13.2
Total cost above	Rs. 4-7.24

Ingots.

All labour	Rs. 2-0.00
All other costs	Rs. 5-6.10
Total cost above	Rs. 7-8.10

Blooms.

All labour	Rs. 1-11-0
All other costs	Rs. 2-6-0
Total cost above	Rs. 4-1-0

1917.

	U. S. A.
Labour	Rs. 7-8-0

Coke.

All labour	Rs. 1-0-6
All other costs	Rs. 0-11-0
Total cost above	Rs. 1-11-6

Pig Iron.

All labour	Rs. 2-7-0
All other costs	Rs. 3-15-0
Total cost above	Rs. 6-6-0

Ingots.

All labour	Rs. 2-13-0
All other costs	Rs. 8-10-0
Total cost above	Rs. 11-7-0

Blooms.

All labour	Rs. 2-6-6
All other costs	Rs. 3-0-0
Total cost above	Rs. 5-6-6

1918.

	U. S. A.
Labour	Rs. 9-8-0

Coke.

	U. S. A.
All labour	Rs. 3-8.8
All other costs	Rs. 4-5.5
Total cost above	Rs. 7-14.3

Pig Iron.

All labour	Rs. 3-0.3
All other costs	Rs. 4-15.0
Total cost above	Rs. 7-15.3

Ingots.

All labour	Rs. 3-4.65
All other costs	Rs. 10-14.74
Total cost above	Rs. 14-3.39

Blooms.

All labour	Rs. 3-12-0
All other costs	Rs. 4-6-0
Total cost above	Rs. 8-2-0

Rails (90 lbs.)

All labour	Rs. 8-3.8
All other costs	Rs. 9-0.1
Total cost above	Rs. 17-3.9

1920.

	U. S. A.
Labour	Rs. 11-8-0

Coke.

All labour	Rs. 1-15.95
All other costs	Rs. 1-3.95
Total cost above	Rs. 3-3.90

Pig Iron.

All labour	Rs. 4-6-0
All other costs	Rs. 4-14-0
Total cost above	Rs. 10-4-0

Ingots.

	U. S. A.
All labour	Rs. 5-2.0
All other costs	Rs. 14-7.0
Total cost above	Rs. 19-9.0

Blooms.

All labour	Rs. 5-3.0
All other costs	Rs. 5-11.0
Total cost above	Rs. 10-14.0

1921.

	U. S. A.
Labour	Rs. 9-8-[illegible]

Coke.

All labour	Rs. 1-4.5
All other costs	Rs. 1-2.25
Total cost above	Rs. 2-6.75

Pig Iron.

All labour	Rs. 3-10.10
All other costs	Rs. 8-1.0
Total cost above	Rs. 11-11.10

Ingots.

All labour	Rs. 4-1-0
All other costs	Rs. 14-4.0
Total cost above	Rs. 18-2.8

Blooms.

All labour	Rs. 3-10-0
All other costs	Rs. 5-12-0
Total cost above	Rs. 19-6.0

Rails (Heavy).

All labour	Rs. 7-1.5
All other costs	Rs. 8-1.3
Total cost above	Rs. 15-2.8

63. The above comparisons are on a fair basis, except for Blooms and Billets, where practically the entire output of the 40" American Blooming Mills is in the form of billets for shipment and not for direct rolling into rails, structurals, etc. As a large proportion of this output is in the form of 4"×4" billets, their tonnage is necessarily far below their capacity for blooms of the size chiefly made at Jamshedpur and consequently their Costs Above are higher than they would be for the product corresponding to that at Jamshedpur.

64. It will be noticed that the Producing Labour here per ton is less than for American plants, but when we consider that the American Common Labour is over 16, 22, 28, 30, 25 times that at Jamshedpur for the various years considered, there is certainly nothing in the small difference to congratulate oneself about: the difference should be many times as great. The reason, however, is plain—output far below its capacity and ten times as many employees are required in America.

65. The comparison of "All Other Costs" or what are called Service Costs or Charges is not so much in favour of the Tatas as those for Labour. Some of the supplies at Jamshedpur do cost more than in America, others again cost less but when we consider that a considerable proportion of these "Other Costs" is really due to labour, such as in Steam, Electric Power, Transportation, Laboratory, Shops, Accounting, etc., there is no question in my mind that a very little effort and thought could result in greater economy in this direction also.

66. As an instance, I would call attention to the General Works Expense which to me seems terrible to behold. These are three to five times those in the U. S. A. In 1914-15 they were three times the American figures in 1918 in spite of the fact that there was no increase in wages and salary compared to the hundred and hundred and fifty per cent. rise that took place in America over the 1914 figure. To put it in a nut-shell, there is a Top Heavy Administration at Jamshedpur.

67. Very few plants in America of the size and capacity as the Tata Iron and Steel Company Works would go in for a General Manager and his establishment charged over and above a General Superintendent and his staff. No plants, however big, keep half a dozen General Master Mechanics, floating Engineers of all sorts and conditions. There are three personal assistants to the General Manager, three for the Chief Accountants, two for the General Superintendent, besides a veritable army corps of clerks. Jobs are created and multiplied *ad infinitum* to accommodate men that evidently waste the company's substance and the gain to it by way of service or efficiency is very problematical.

68. There is a costly and intricate system of accounting—both Cost and General Accounting—wherein neither clarity nor simplicity of either is evident. A heavy Sales Establishment that has no centre of gravity and little co-ordination, adds to the burden. The General Manager contracts Sales, the Sales Manager attends to that, too, and the Bombay Office make frequent inroads with the same object in view.

69. In spite of a veritable army of clerks, there are very few good records of essential matters in all departments.

70. The amount of stationery consumed, the Travelling and Law Charges are all on a most lavish scale.

71. The Shops—Machine and Blacksmith Shops and the Foundries—are monopolized on the repairs and renewals that have to be done by thousands. A wonderfully equipped Machine Shop—the best this side of the Suez, without exaggeration, and that would, by itself, earn millions annually—now caters every minute to somebody's negligence or oversight, somebody's spirit of mischief or experiment, a Foundry specially erected for Pot sleepers now also has to look to this same breakdown business, that piles up the costs by thousands and lacs.

72. The Electrical Department has a surplus of stores and spares enough to take care of the needs of three such plants and a motor for a generator burnt out is merely a matter of casual note.

73. One of the essential forms of economy in the internal workings of an iron and steel plant is the movement of different materials interdepartmentally with the minimum amount of Switching interference—an element that is sadly missing from the plant at Jamshedpur and that is heightened with the production of the Greater Extensions. Twenty-two locomotives are doing the work now that I have seen done efficiently in America with only a quarter the number. There are four big engines on the four Blast Furnaces alone. Surely that is not economy. Up to the end of 1919 there were just seven engines on the job and a Plate Mill, new Coke Ovens, and Duplex plant are amongst all the new additions with the Tinplate and a couple of subsidiaries on the go. Surely, that does not need fifteen more locomotives.

74. Relining Funds are calculated on a most extravagant basis, necessitated by continual breakdowns and burnouts. The Batelle Blast Furnace has to be dismantled in ten months and is ready for it again within three years, and the O. H. Furnaces need an overhaul practically every month. These afford a striking contrast to ordinary six and seven years' lease of life for blast furnaces and two complete overhauls a year on O. H. Furnaces for average practices, and yet our bricks are not so bad.

75. All these items swell the "All other or service Costs" and raise the final price per ton of the various products.

76. We will now take a look in through individual departments after this preliminary general survey and enquire into various items of practice and procedure and cost and compare them with average conditions in American plant.

COST OF MAKING PIG IRON.

Cost of making one ton of Pig Iron.

	England.	U. S. A.	England.	U. S. A.
	1913	1914	1923	1921
Ore	Rs. 29-0-0	Rs. 25-0-0	Rs. 30 5-0	Rs. 43-5-6
Coke	,, 13-10-0	,, 8-0-0	,, 21-4-0	,, 13-14-3
Flux	,, 1-4-0	,, 1-12-0	,, 2-3-0	,, 2-14-4
Labour		,, 2-8-0		,, 3-10-1
All other Costs	,, 5-12-0	,, 0-12-6	,, 10-15-0	,, 8-1-0
TOTAL	Rs. 49-10-0	Rs. 38-0-3	Rs. 64-11-0	Rs. 71-13-2

78. Where, do we ask, was all this tremendous start dissipated? Why were not these initial advantages followed up and the difference, if not that much, a certain reasonable ratio, shown in the finished product? The reason could be traced in the various items of their practice

79. An average of the last six years shows their consumption of Ores as pounds per ton of Pig Iron, of the best, clean and lumpy 59—62 per cent. iron content ore as compared to 4,046 pounds—the average of the United States Steel Corporation's plants for the last fifteen years—of approximately 49—50 per cent. Iron Ore, representing on that basis an excess of four hundred to five hundred pounds of ore per ton of iron produced.

80. The Coke Consumption for the same period averages pounds of Coke per ton of Pig Iron, whereas the prevailing practice in the States is

2,000—2,100 pounds. And with the best practice, I have noted, that figure has gone down to 1,695, 1,750, 1,865 pounds of their coke with 10, 12 and 14 per cent. Ash content. Granted the Tatas Coke contains 8 to 10 per cent. more ash than the American Coke and therefore 8 to 10 per cent. more fuel is needed still the figure would come to 2,300 lbs. showing an excess of 600 to 700 lbs. of fuel per every ton of iron produced. In fact, the opinion of several practical men consulted on the subject has elicited the fact that this excess ash ought not to make a whit of difference as there is so much less gang or matrix to take care of in the hearth as the ore is clean and not fine and what is more to the point, there is 9—10 per cent. more iron for the same volume and weight for reduction necessitating the use of less iron ore per ton of pig produced.

81. Ore and Coke form the two principal ingredients in smelting—and economy in this direction would result in substantial savings per ton. Same in the matter of Flux, which at present is consumed about 30 per cent. more due to the greater ash content in the Coke. This once more emphasizes the necessity of selecting the best grade of coal, which ought not to be a difficult matter in that they buy their supply in the market and when a good price is paid (Rs. 9) a very good quality has to be secured.

82. I may be permitted here to observe that there is a decided room for improvement in the quality of Coke turned out as also in the amount of by-products recovered. Cutting down of the Coking time from the present 24 hours, would yield a denser and harder coke that can well stand the burthen and better methods of cooling and condensing would result in more by-products—at least tar and oils—than at present. 3½ to 4 gallons of tar to a ton of coal that has about the same volatile constituents as American Coal, represents to me an entirely inadequate yield, as against 9 to 12 gallons per ton.

84. On an average not less than 500 men are employed per furnace at Jamshedpur, a figure that, when quoted to any of the steel men in America, invariably evokes a contemptuous guffaw.

The average, as previously noted, comes to 75 men in American plants, meaning 100 men of eight-hour shifts and there are some plants where they do not amount to more than 30 at a time.

LABOUR (PER TON PIG).

	1914.	1915.	1916.	1917.	1918.	1919.	1920	1921.	1922.
	United States of America.								
Rs.	1-12-0	1-7-0	1-12-0	2-7-0	3-0-3	3-10-0	4-6-0	3-10-10	* * *

85. It is easily comprehended the American figure is higher than the Tatas from 1915 onwards, because of the increasing rate of wages paid to the American Labour; but what we want to impress is how much lower the Tata cost of labour would still have been than they were, if there was not that lavish scale of employment at the furnaces.

86. In passing, I want to hint at the disparity in the scale of wages between the covenanted and the local native force.

88. Coming now to "All Other Costs," we will quote as follows:—

All other costs.

	1914.	1915.	1916.	1917.	1918.	1919.	1920.	1921.	1922.	
Rs	2-2·0	1-13-0	2-2·0	3-15	4-2·6	5-8·0	5-14·0	8-1·0	..	United States of America.

89. Up to 1919, the American costs are lower than the Tatas and 1920 was the peak year in point of prices of everything. The year 1921 was one of

suspense and instability and when half the number of furnaces were either banked or blown out and I am sanguine, the costs here have considerably lowered down in 1922.

90. The various economies that could be effected in the use of ore, coke, flux, labour and materials, in repairs and on maintenance and in the cost of service, would result in substantially reducing the final grand total works cost, which according to my estimate could be well circumscribed so as not to exceed Rs. 25 per ton of pig at the present time.

91. On the present basis of production, with even Rs. 10 reduction in the cost of production, there would be a net saving of *Rs. 30 to Rs. 35 lacs* per annum.

92. A further item that needs serious consideration is the rate of production of pig iron from the present installation. There is a down grade tendency even when the number of furnaces have increased, meaning a net loss per year of from 110,000 to 150,000 tons of metal, representing at a profit of only Rs. 30 per ton on the present cost of production, of a net loss of from *Rs. 32 to 45 lacs of rupees.*

93. This sum, added to the previous 30 to 35 lakhs of rupees, represents more than half the net profits of their best year's average, when they distributed handsome dividends. Must the public and the country be made to disburse to the Tatas this amount when they chose to throw it away of their own accord?

Open Hearth and Steel Works.

94. I now propose to turn your attention to the Open Hearth Department where the expenses, I make bold to say, are nowhere equalled. It is the place that eats up most of what would otherwise be dividends and it is the very department that has proved the ruin of companies that preceded the Tatas. This is the place where expenses are apt to leak, but where even with moderate efficiency, they ought to reap handsome profits. It is an economic doctrine of very sound value that "Other things being equal, the country that can produce the cheapest pig iron, has the advantage over its competitors throughout the whole range of heavy steel products," and yet the affairs of the Tata Iron and Steel Co., are apparently falsifying the most accepted of beliefs. It would not be hard to show, however, that the doctrine still holds good, but that it is the fact that somebody has grossly fallen down in the management of the concern that has apparently created the doubt. Even the present high costs of pig iron at Jamshedpur are cheaper compared to that produced elsewhere in the world and one would naturally conclude that the final products through O.H., Blooming, Rail and Finishing Mills could still be a payable proposition. As a matter of fact the condition is quite the reverse. Mr. H. A. Brassert, a very well-known Consulting Engineer, and the foremost Authority on Iron and Steel in the United States of America, in a report on a local steel company, observes "I wish to emphasize the importance of a low initial cost of pig iron and ingots as it decreases the cost of the finished products at an increasing rate through the succession of rolling operations, in converting the ingots into merchantable products." The essential consideration here is pig iron, which when connected with the larger operation of smelting and rolling into steel, necessarily induces lower costs on the ingots than when it is made for the market and yet in spite of that proposition, the cost of ingots at Jamshedpur is extravagant and prohibitive. Jamshedpur operation methods have literally turned down all theories and I cannot help adding, have turned inside out all practices.

95. A third axiom, so subverted at Jamshedpur, refers to the "Spread" between Pig Iron and Billets and between Billets and Steel Bars. It was considered at one time substantially true in the steel industry in America that a 5 spread would cover costs between these two sets of products. During and after the war, a new standard came into being, tentatively set down at 10. But the Tata spread, in site of not being handicapped

by any such extraordinary rises in the costs of Men, Materials and Freights, as in the States, has averaged something remarkable.

96. The cause of these remarkable high costs could be principally ascribed to the O. H. Department, where the expenses are totally disproportionate to any needs, however, extravagant.

97. Starting with four furnaces of 40 tons and a German crew, the whole department was overhauled and about the end of 1914, the furnaces were enlarged to 55-30 tons capacity and a wholly fresh crew of English and American smelters put in charge.

99. Compare this figure of tons with the average of 4,291 tons per furnace per month, the average of thirty American O.H. Furnaces of rated capacity between 50 and 65 tons. The average rated capacity being 58 tons a trifle smaller than the Tatas.

100 Further, it should be borne in mind that the practice at Jamshedpur is more calculated to increase than retard or lower the production. They use on an average 75—80 per cent hot metal—1,872 pounds as against 1,288 per ton in the above figure—and as such, helps in accelerating the time of the heat and yet with this advantage, their tonnage is lower. I have seen at Jamshedpur, heats tapped out in six hours, five hours fifty minutes on occasions, for a succession of heats, a record time for the whole world I should say and yet the final result is so far short of actual capacity.

101. Again, Nos. 5 and 6 furnaces were started in May and August 1917, respectively, furnaces of a rated capacity of 85 tons, almost exact replicas of those installed in the plant of the Brier Hill Steel Co. at Youngstown, Ohio; in fact their designs were practically copies from the Brier Hill drawings.

102. The Brier Hill plant of seven furnaces averaged per month an output of 30,000 tons or 4,285 tons per furnace and with 12 furnaces running they made not less than 50,000 tons per furnace, but their practice was with an average of 50—50 mix of hot metal to cold scrap and pig. The Tata furnaces with 75—80 per cent. hot metal should easily have produced 5,000 tons per month per furnace.

103. With six furnaces, the Tata plant should have easily turned out 22,000 tons per month and when the seventh one was added—same as Nos. 5 and 6—in March 1920, the production should have been 27,000 tons. As a matter of fact, their average production per month from all furnaces was as under:—

	Tons per month
1918	11,578
1919	14,149
1920	14,240
1921	15,175
1922	12,714
Average of 6 years	13,571

or only 50 per cent. of what the department is capable of. Is there any wonder if the cost of production is high, when the whole cost has to be distributed over only half the output? And should the country and the people be asked to make good for the other half?

104. I will quote another figure from the Brier Hill plant. In

September 1922 they made	68,197	tons of ingots	using 58% coldscrap and pig only, 42% hot metal.
October 1922 they made	79,054	tons of ingots	
November 1922 they made	69,018	tons of ingots	

105. Their average production, therefore,

per furnace operating was 6,256, 6,934, 6,513 tons respectively.

per furnace installed was 5,683, 6,587, 5,754 tons respectively.

Is there any comparison possible? At that record rate, the Tata Nos. 5, 6 and 7 furnaces alone should produce more steel than the average actual **production of their 7 furnaces.**

106. On the present basis of production in the O.H. Department, not less than 100,000 tons of metal is lost per year, meaning at the rate of Rs. 30 **profit a ton, a net loss of *30 lakhs of rupees*—a very handsome sum, I'll say.**

109. Let us now look to some further detailed aspects of the "practice" at the Tata Iron and Steel Company's Works. As we alluded to before, one great and decided advantage lies in the extensive use of hot metal—75 per cent. to 80 per cent.—in the bath, weaning as much less time for smelting than if cold pig was charged. One would naturally look forward to greater production as a result, but one looks for it in vain.

110. Another item is the use of manganese ore in the furnace. The advantage of the use of this ore in the steel furnace to oxidize the non-ferrous elements is well understood by any steel smelter. First, it gives high manganese in the slag, which, within limits, is beneficial, in that it reduces the fusion temperature, especially when the slag contains a high percentage of lime Secondly, a good bit of manganese gets into the metal -depending on the **way and the size in which it is added, reducing, as a result, the final addition** of ferro-manganese, which is a very costly article. Thirdly, the manganese tends to eliminate sulphur from the metal in an important degree. Manganese ores I have not seen used in any American furnaces because their cost is prohibitive, but not an ounce of advantage is evidently achieved at Jamshedpur, because the production is neither hastened nor is the consumption of ferro-manganese reduced.

111. The consumption of **ferro-manganese averages about lbs., to take recent** two years, per ton of ingots as against 12 lbs. **average in the United** States. The figure for the whole of America, including every form of steel **and special** casting is 17 lbs. for every ton of steel **produced in the country, but** even this figure is exceeded at Jamshedpur on the O H. alone. Fifteen pounds would be a very fair amount for ingots alone, and making every allowance for the 60 per cent. average Mn. Content, instead of the 72 per cent. average in American practice.

112. Chrome ore and Fluor spar are used as **a matter of routine and** convenience in the Jamshedpur Smelting practice, what is **required elsewhere only in** special exigencie This adds to the costs.

113. High priced Chanda ore of 70 per cent. Fe. Content is used for reduction in the furnace, when ordinary cheap **Gurumahishini ore not high in Silica would do** equally well. Here is another item in the cost.

114. The "**Practice**" as a result of these different items of procedure mentioned above, is very costly and not a little wasteful, yielding scarcely any worthwhile results in output

115. **Turning now to "All Other Costs" or "Cost of Service" the following table should be enlightening:—**

All other costs

		U. S. A.
1914	Rs	5-14-0
1917	Rs.	8-10-0
1918	Rs.	10-15-0 & 12-7-0
1919	Rs	13-2-0
1920	Rs.	14-7-0
1921	Rs.	14-4-0
1922	Rs	. ..

when throughout these years, there was the widest diversity in the price of coal, fuel, lubricants, tools, refractories, labour, etc.

116. The Tata costs are going up from 1920, whereas that year was the peak year for all American costs: the 1921 figure is high as the production was less than 50 per cent. of the normal due to the slump, and though I have no authentic figures to quote, I have been authoritatively informed that they were decidedly lower for 1922 and for the present year, even including the two increases to Labour granted in September and April last.

117. The Tata costs are a natural sequence to the state of affairs prevailing there. I have never seen in all my experience through the various steel plants, both in Jamshedpur and elsewhere, so much waste, so many breakdowns, such a large quantity of stores and spares consumed as take place at Jamshedpur. Indeed there is enough stores consumed to go round the needs of three plants and enough spares manufactured and available to build two new plants. The late Superintendent used to say that he had signed more Requisition Slips and Works Orders in a month at Jamshedpur than he had ever done in a year at Gary and with twice the number of furnaces in a single shop. Tools and lubricants, pipes and wires and other supplies go in *galore*.

118. Oxygen gas is used as a matter of routine in opening the tap holes of the furnaces that I have seen done everywhere with an iron rod, and oxygen is costly.

119. At one time the Tatas had to import their Silica and Fine Bricks from Europe, then from Japan and now they use those made at Kumardubi, India. Notwithstanding the local supply and lower prices, the costs for these both per ton and total have increased enormously.

120. The average of practices in American furnaces, it would be safe to say, comes to two complete overhauls once a year, *i.e.*, two new roofs, checkers, side walls, etc., but at Jamshedpur, there is something or other doing every month, practically, either on the roof, or on the front or back walls, or the ports or the checkers. Somebody or other ever falls down on the job and as a result, something or other always breaks down or burns out. There has to be, for that reason, a large number of men maintained on repair works who are kept permanently busy. It would not be an exaggeration to say that from 1914 onwards the Tatas have spent enough on repairs to build an average of one new furnace a year, in other words, to duplicate by now, the whole O. H. Department. The number of cranes working on the O. H.'s is simply appalling. I have seen plants with 14 and 7 furnaces, for instance, working with 2 and 3 cranes respectively and they do all the cleaning and loading job on the pit side as well. Every such item piles up the "All Other Costs."

121. We now come to the question of *Labour* on the O. H. Department—in itself a very knotty, yet a tremendously important problem and a very potent factor in the total costs.

Labour per ton Ingots

	Tatas.	U. S. A.
1914 . . .	Rs. 4-3.10	Rs. 2-0.70
1917 .	Rs. 4-13.39	Rs. 2-13-0
1918 . .	Rs. 5-0.61	Rs. 3-1.65 and 4-1.0
1919 . .	Rs. 5-2.69	Rs. 4-15-0
1920 . .	Rs. 6-5.79	Rs. 5-2-0
1921 . . .	Rs. 6-4.48	Rs. 4-1-0
1922 . . .	Rs. 6-2.08	Rs. .....

122. In 1914, the Tatas labour cost per ingot ton was nearly twice the American figure. In 1917, it was also about the same. In 1921, it was Rs. 6-4-0 against Rs. 4-1-0 and Rs. 5-2-0 the year previous. The peak had passed in 1920 and the labour cost had been brought down, but the Tata *Status Quo* remained the same. It would not be out of place to repeat here that

American labour is the highest priced in the world and where we paid Re. 0-5-0 for 8 hours works here, they had to pay Rs. 5 there in 1914. In 1920, they had to pay Rs. 11-4-0 against our Re. 0-6-0 here. They are paying now Rs. 9-8-0 against our Re. 0-6-6. We can ascribe the excess cost of labour at Jamshedpur, inspite of its cheapness, amongst others, to the following causes. Firstly, on each furnace in America there is a first and a second helper, who watch both sides, the charging and the pit side, and the second hand has to go often enough into the pit itself to help out his labourer. Four men is the utmost help on any furnace. But at Jamshedpur, besides the imported first and second hands, there are extra eight to nine helpers on the charging side and a whole gang on the pit side for Slag and Cinder and a baboo for this and a baboo for that, till the number swells unconscionably high.

123. The following table will make the disparity clear:—

	Number of furnaces.	Men employed.	Men per furnace.
Homestead Plant	64	1,600	25
Youngstown Sheet & Tube Co. .	12	330	28
Brier Hill Plant	12	450	38
Trumbull	7	400	57
Gary	12	387	32
Tata Iron & Steel Co. . .	7	2,142	306

The number of men here represents the total force employed in the department and includes all smelters, their helpers, cleaning gang, cranemen, stockyard, weigh clerks, etc. No amount of allowance for 8-hour day, hot weather (June to September in America are equally unbearable) lack of stamina, etc., can make up for the excess force employed.

124. Secondly, excepting common labour, almost every one in America is paid by tonnage, *i.e.*, by a rate calculated on the capacity of the furnace, and which is fair both to the Company and to the men. This rate takes into consideration the period of repairs and shutdowns, for when a furnace is not working, nothing is paid out. At Jamshedpur, it is different. Every one is paid by the amount of attendance put in. It makes no difference if not an ounce of steel is turned out. In the case of certain high positions, I grant, salary has to be paid, *e.g.*, Superintendent, Assistant Superintendent, frequently, but not always, General Foreman, Gas Foreman, etc. But smelters, first, second and third—Charging and Ladle Craneman, Pourers, etc., should be always on a tonnage basis, as they are elsewhere. I understand it has been impressed on the authorities that men cannot be induced to come Overseas unless a fixed rate is assured them. My investigations in America have put me into a different impression. I have noted men willing to sign on tonnage basis, with a certain minimum guaranteed yearly—an enough inducement when to this is added eight hours work a day, six days a week and eleven months' work for 12 months' pay—transportation of course included both ways.

125. One result of tonnage rate is an inducement for men to give a fair day's work for a fair day's wages and any extra exertion on the part of the men means an extra return to them as to their employers.

126. At Jamshedpur, whether they make good steel, bad steel or any steel all, they get paid all the same, and even when they have no furnace the first hands stay away but keep drawing their money.

127. Thirdly, over and above this privilege, comes the *Bonus* that is granted to the Covenanted men. Apart from the glaring injustice of shutting Indian hands from participation therein, the principle on which it was based and calculated appears to me to be very unsound and extravagant. The Bonus was calculated on the *Combined* tonnage of all the furnaces and not as it should have been on the output of the individual furnace, thus defeating the very meaning of the word "Bonus," by withdrawing the

element of self-help and individual exertion from the scheme. In strict principle, it was unfair as between the men themselves and positively harmful to the interests of the Company, for when a furnace was down, the men may consent to take a sporting chance amongst themselves, the Company suffered, for though it meant no production and consequently no profits, this did not reduce the number of participants in the Bonus. In other words, the cost would continue the same, though the production may go down.

128. Then again, the *Base Rate* of such Bonus was fixed on a very inadequate tonnage. It started with 8,000 tons in August 1915, with practically all four furnaces in full swing, meaning 2,000 tons a piece, or one heat of 50 tons in 15 hours and it was a patent fact that a heat then was turned out in seven, eight and nine hours. As we previously said in regard to production, each of the furnaces had a capacity of 4,000 tons a piece, meaning a production of at least 10,000 tons a month with four furnaces, which figure, in complete fairness to the Company, should have been fixed as the Base Rate.

129. In May and August 1917, Nos. 5 and 6 furnaces were put in operation and the bonus was altered in late September from 8,000 basis to 9,500 tons for foremen and 10,500 tons for furnacemen as the base rate. Now, those two furnaces were of a larger capacity than the first fours, being 75—80 tons as against 55—60 tons and yet only 1,250 tons were assigned to each as its monthly production as against 2,000 of the small fours. This meant less than one full heat in twenty-four hours for a furnace that could easily make 5,000 tons a month.

130. When the seventh furnace was started in March 1920, there was very little change effected, so that practically speaking, the entire tonnage of Nos. 5, 6 and 7 furnaces go by way of a bonus on the working of a department, that has seven furnaces all told.

131. The effect of this Bonus was that there was regular 80 per cent. increase over the contracted salaries of the smelters from 1915 to 1920. The production in 1921 was the highest on record and the bonus was equally high. In September 1920, the Company offered 10 per cent. straight rise to the smelters who had struck and the settlement ended with a 20 per cent. straight, being 10 per cent. on the average earnings of the two previous years, which had netted them practically 100 per cent bonus on the salary.

132. The sum total of all these manipulations was that not only did the total labour cost in the department kept mounting, but the cost per ton as well, though one could scarcely note any marked increase either in efficiency or yield. On the contrary, there was a decided falling off both in production and in yield.

134. In the light of these facts there is no wonder that the Tata labour cost per ton of ingots should be so very unconscionably high and that the production of steel should be a drag rather than a profit.

135. Summing up, the loss of production of Ingots in this Open Hearth Department amounts to not less than 100,000 tons a year, meaning at the rate of Rs. 30 profit a ton, *a net loss of Rs. 30 lakhs a year.*

136. Even at the present rate of output, the cost per ingot ton is capable of considerable toning down, on an average Rs. 20 to Rs. 25 less per ton would not be a bad calculation and that at that rate real good money is thrown away to the tune of *Rs. 30 to 33 lakhs per year.* The aggregate of these is a very handsome sum in one department alone.

137. Taken as a whole, seventy-five per cent. of all the advantages of cheap raw materials, labour and pig iron are sunk in making steel. Would it be fair to burden the country and the people to enable a thoroughly unsound practice to continue?

Mills Department.

138. We now enter the *Blooming and the Rail Mills Department*—places where the steel ingots from the Open Hearths are rolled into blooms or billets and then further rolled into finished goods for the market.

139. Unhappily, the design of the mill was not of the very best, a handicap being placed on rapidity of rolling, by first, the intervention of the Shears in front of the Blooming Mills at the entrance of the ingot and not at the rear as is the sound practice, and secondly, the coupling of the Rail and the Blooming Mills both to one engine, with the result that the ingot that had a short stroke had to wait till the full length of the big mill product had passed one way, before it could be reversed. The latter defect was remedied by the installation of the new Galloway engine for the Blooming Mill, leaving the old giant to the Rail Mill alone. The result was that this latter, that never had any very exceptionally strong foundation, was still further shaken loose until it is more or less ready for the junk pile necessitating constant tinkering to keep the ball rolling.

140. The quantity of steel rolled out is very much disproportionate to the capacity of the mills or to anything like the number of men employed.

141. One 45″ Mills averages over 2,000 tons of blooms a day and has a twenty-four record of over 3,100 tons. Another 40″ Mill rolls the average O. H. Production 50,000 to 60,000 tons of ingots a month into blooms and slabs. Another 40″ Mill had many records of 4,000 tons of blooms per 24 hours. The average rated capacity of a 40″ Blooming Mill reversing is generally accepted in America as being anything from 600 tons of 4″ x 4″ billets to 3,000 tons of large blooms and slabs per 24 hours, the actual capacity, of course, depending on the size of the ingot and the finished product.

142. The Jamshedpur Mill has made a record in 1921 of 156,902 tons or 13,075 tons per month or 523 tons per day, which is about 20 per cent. of the minimum production of a Blooming Mill in America.

Labour.

	Tatas.	U. S. A.
1914	Rs. 1-12.54	Rs. 1-11-0
1915	Rs. 1-9.26	Rs. 2-1-0
1916	Rs. 1-5.37	Rs. 2-4-0
1917	Rs. 1-7.35	Rs. 2-6-0
1918	Rs. 1-1.80	Rs. 3-12-0
1919	Rs. 1-2.84	Rs. 5-5-0
1920	Rs. 1-8.86	Rs. 5-3-0
1921	Rs. 1-11.52	Rs. 3-10-0
1922	Rs. 1 12.64	...

143. The Tatas labour cost here is decidedly lower than the American figures for the corresponding years, but though it could be explained by the enormous disparity in the scale of wages, I have noticed, that of all the departments, the Blooming Mills show a very great improvement in the number of men employed and with judicious discrimination, even this low cost could be *still lower.*

144. In the labour section, the largest single item is the amount and cost of labour in the repairs and maintenance, preponderating over even any other item on the producing side.

145. After deducting the cost of metal and fuel, the *repair bill* on the Blooming Mills alone came to 24 per cent. of the gross total cost of the whole department in 1914-15.

147. I do not recollect having seen anywhere such a terrible amount of breakdowns and mishaps as happen in and around these mills. Burning out of motors, breakages in table-rolls, roller cranks (frequent changes) of the main bearing of the big engine, wastages of oils and lubricants, etc., constitute some of the items that eat up a big part of the Company's substance. I remember of no occasion when an indicator chart of the engines was taken to determine the index of efficiency, which I have no hesitation in declaring, would be found to be very low, indeed.

148. The following "*All Other Costs*" of the Blooming Mills tell their own tale:—

	Tatas.	U. S. A.	U. S. A. Below.
1914 . .	Rs. 4-4.99	Rs. 2-6-0	Rs. 1-14.99
1915 . .	Rs. 4-8.94	Rs. 2-1-0	Rs. 2-7.94
1916 . .	Rs. 4-3.82	Rs. 2-8-0	Rs. 1-11.32
1917 . .	Rs. 4-0.05	Rs. 3-0-0	Rs. 1-0.05
1918 . .	Rs. 5-15.83	Rs. 4-6-0	Rs. 1-9.83
1919 . .	Rs. 5-0.04	Rs. 5-5-0	Rs. .
1920 . .	Rs. 6-6.20	Rs. 5-11-0	Rs. 0-11.20
1921 . .	Rs. 6-3.84	Rs. 5-12-0	Rs. 0-7.84
1922 . .	Rs. 7-7.52	Rs.	Rs. ......

and yet the Tatas had an overwhelming advantage over American condition.

149. Turning now to the Rail Mills, because of the diversity of the products rolled and the various sizes of these mills, it is impossible to give any very accurate data, but I will quote some figures for the rails wherever I have been able to secure the same and as a matter of reference, will be found to be invaluable.

	Tatas.		U. S. A.	
	1918.	1921.	1918.	1921.
Labour	Rs. 6-8.89	Rs. 7-11.0	Rs. 8-3.8	Rs. 7-1.5
All other costs . .	Rs. 12-5.01	Rs. 13-12.9	Rs. 9-0.1	Rs. 8-1.3
Total Cost Above .	Rs. 18-13.90	Rs. 21-7.90	Rs. 17-3.9	Rs. 15-2.8

There is no wonder, looking to these figures, if the rolling of rails is found to be unremunerative at Jamshedpur.

150. The total cost of production of rails in 1921 for the American plants whose cost above was quoted was $32.22 minimum to $47.15 maximum, the average being $36.26. The Tatas' cost for the same years came to $39.12 at normal exchange and for 1922 was $40.

151. Coming now to the Merchant Mills, the spread or conversion costs between billets and merchant bars, that one time was $5 in America has now to be tentatively fixed to $10 average—$10.61 average for pre-war years—the maximum being $12.94 in March 1913 and the minimum $4.69 in November 1911. The Tata average was $11.10. In the post-war period, the maximum in America being $24 in April 1920 and the minimum $1.59 in May 1922—the average being regarded at $10.00. For the same period, the Tatas average was $14.56, miles high under any circumstances.

153. Looking to another single item, repairs and maintenance—both labour and materials—there is an ever increasing sum spent in keeping the wheels going.

154. My personal opinion based on experience of mills is that much of this cost is capable of toning down to a marked degree resulting in greater improvement and saving in the final cost, till it could be well stabilized somewhere near Rs. 90 for the big mills and Rs. 100 for the merchant products. At that rate, on the present scale of production, there is possible a saving of *27 lakhs* of rupees on the big mills and *11 lakhs* of rupees on the bar mills or a total *not less than 30 lakhs annually* as amongst the mills. Surely, a figure like this is worth a serious thought. At any rate, before the country and the public are burdened to yield dividends to the stockholders, a thorough investigation into the inner working of the plant is vitally essential and called for.

Fuel problem.

155. While the amount of raw materials entering into the manufacture of steel should be reduced to a minimum equal expenditure of thought and

money will usually accomplish better results when applied to the item of *fuel* than do either of the other. That is particularly the case at Jamshedpur where the unit cost of coal is higher, as we said previously, than either ore or stone and where apparently the coal reserves will be exhausted long before the ore.

156. Theoretically, the only fuel necessary to produce finished steel, such as rails and structurals, using a 50—55 mix in the open hearths, blowing the furnace with turbo-blowers and furnishing electricity for driving the mills from turbo-generators, is the coal entering into the blast furnace coke.

157. While this condition has never been fully realised, all progressive plants in America are working towards that end and the saving so far accomplished are very gratifying. In the case of the Tatas, where more pig iron is produced than is required for the steel made and where 70—80 per cent. hot metal is used in the open hearth furnaces, I have no hesitation in claiming that the Tatas should be able to finish all their steel without the use of a pound of coal anywhere, except at the coke works and in the locomotives and cranes and shops, provided the mills were electrified and I am reasonably sure that that could be accomplished even with the present engines, but if not fully done, the coal now burnt under the boilers and on the gas plant can be reduced to a very small fraction of their present requirements. One can imagine the saving resulting from less coal, no labour or repairs on gas producers, no cleaning out of gas mains, no trouble from sulphur on the O. H. and heating furnace fuel and practically no operating labour at the boiler house. In labour alone, over 500 men could be cut off from the gas producers and several hundreds from the coal and ash loading and unloading gangs and probably more than that amount elsewhere in addition. Let us first turn to the *boiler problem*.

159. I am satisfied that all this money—if not every bit of it at least a good bit of it—represents needless expenditure. Calculated on the basis of 2,000 pounds of coke to a ton of pig iron, there is evolved enough gas, which, after making due provisions for heating the stoves and for loss by leakage, loss, interruption, etc., is able to provide enough surplus for power generation purposes the equivalent of thirty horse power per every ton of pig produced.

160. The consumption of coke at the Tata furnaces averages 3,000 lbs. meaning thereby more gas evolution and should, under any circumstances, be enough to take care of practically all their steam requirements. A few tons of coal now and then for priming the gas should be all the fuel needed.

161. There was a costly pipe line laid out from the coke ovens, directing the non-recovery and by-product gas through to the boilers, instead of sending it to the open hearths where it would have been more profitable, and altogether a confusion of coal, blast furnace and coke oven gas was fed into the chamber, without apparently any thought or study as to composition, velocity, air requirements of the gases fed, etc., with the result that though there was a lurid red column of unburnt gases ignited at the chimney top, the steam could not be kept up. At present some boilers are fed with coal tar, an exceptionable procedure in itself if there is any excess of tar available, but my submission is that it could be very well and more profitably utilized at the furnaces for *smelting operations*, to which we now turn our attention

163. Forty-six lakhs of rupees have gone by the board on these two fuel bills alone, the boilers and the O. H. furnaces in the last three years and several more are now under way—31 lakhs this year's average.

165. *Fifty-one lakhs* of rupees all told could have been handsome profits in these three years on the fuel item alone. Should the country and the people disburse these sums to the Tata Iron and Steel Company if it prefer to throw them away?

166. The Tata Iron and Steel Company compute that it takes them 4 tons of coal to make one ton of finished goods and there is no wonder in the light of these facts. Even this figure would mount higher if we consider the millions

of thermal units consumed from the coke oven gases and coal tar burnt under the boilers. One plant of the Carnegie Steel Company, with a million tons of output annually, uses 2.49 tons of coal: two other plants of the United States Steel Corporation with approximately 350 tons output annually, use only 3.2 and 3.17 tons respectively. Another independent Corporation's average runs from 2.5 to 3 tons per ton of steel manufactured. But the figure of the Tata Works beats them hollow. These individual cases are cited not because they are favourable to our contention, but because their practice is more akin to that at Jamshedpur in that there is no natural nor by-product gas used for smelting and have non-condensing steam drive for their engines.

167. Just one phase of this problem of the elimination of waste in fuel would have resulted in greater transportation facilities, in that there would have been released on an average 750 wagons of 20 tons capacity every month these last three years for more useful work elsewhere in the country and even at the plant in Jamshedpur, there would have been such a welcome relief from congestion in the yards at Tatanagar, Sini, etc., causing incidentally a tremendous saving in the demurrage charges.

168. As we said previously, coal costs the Tatas delivered per ton more than either of the other two basic raw materials entering into the finished products, yet it seems to be regarded at the works in about the same light as labour, *i.e.*, too cheap to be worth saving.

169. The amount of coal required is about a matter of exact calculation and figures show that with gas engines for driving the furnace blowers and the generators, theoretically no coal would be required, except for producing the necessary amount of coke. The figures at Gary are very close to the theoretical calculations and in a plant such as the Tatas, where a considerable amount of pig is sold, I have no hesitation in saying practically, *no coal should be required except at the coke works.*

Greater Extensions.

170. Considering all these facts, one would naturally think that there was an enormous scope for improvement and saving both in practice and administration at the old plant to bring about a reduction in the cost of production without having recourse to the other doubtful expedient of adding to the capacity of the plant with a view to spreading the cost of production over a greater output and thus trying to lower it.

171. Without going into the various steps taken and the procedure adopted that resulted in bringing forth the scheme of the Greater Extensions, nor opening on the wisdom or otherwise of the whole project, we take the matter up as it stands and see how the plant compares for its design and for the incorporation therein of various new items and determine whether the expectations entertained for it by the Tatas are capable of full realization.

172. At this stage, it would be well to remember Mr. Peterson's words "that the Tata Company was asking for protection really on the strength of the increased plant. If the Greater Extensions had not been erected and were not to come into operation, then the case for protection would be weakened." In other words, all previous arguments about national safety, national industry, dumping, etc., are all given the air and that the real fact is that had it not been for the millions sunk in the Greater Extensions— many more millions than were estimated by experts—the steel industry would not have needed any protection, or looking from another angle, the public and the country should be made to pay dividends on the further commitments in which the Company finds itself involved. Even then this proposition may not seem as absurd and may be entertained on its merits if there is an assurance, a solid guarantee, that the Greater Extensions are going to change the whole aspect of the situation, in other words, to effect the miracle. We are very much apprehensive as to the final outcome and as we will presently show, the Greater Extensions are yet another frail reed to lean

upon. It is solely the question of efficiency and economy that is going to decide the whole issue. Any other remedy will be just prolonging the agony.

173. The Greater Extensions were sanctioned in December 1916 and it will shortly be seven years since the inauguration of the scheme and presumably will need three years more for completion—ten long years on a plant of 250,000 tons annual capacity. Making every allowances for war conditions about which so much useless fuss is made, on difficulties of transportation, exchange troubles, men falling down on their jobs, etc., the period is unconscionably long. The capital seven crores provided for the Extensions go up to seventeen crores now and even this does not seem to be the limit. The whole Gary plant of the Illinois Steel Company, the largest in the world was started up in two years and ten months from the time the drawings were prepared—March 1906 to January 1909— when the first rails were rolled on the 17th of the month. And it has a capacity of two and a quarter million tons of finished goods.

174. Another instance to show the way in which things move at Jamshedpur is the case of the batelle furnace. The whole structure arrived on the plant site by middle of May when the foundations and everything was ready for its reception and yet the furnace was not ready to blow until August 1919—fifteen months after the arrival and the total cost completed had gone to Rs. 38,61,000 from its purchase price Rs. 12,75,000 odd, nearly three times, though in America itself, few persons cared to take it off the hands of the receivers even for a song.

175. The same was the case with the Plate Mill, which was "rushed" to secure fabulous profits from the sharp price of plates and sheets then prevailing and did not start rolling till at the dead end of 1922. I understand from 36 lakhs, the estimated figure, the actual expenditure has gone to 95 lakhs of rupees, and at present is running merely one turn, about 15 tons a month's production, of a plant that can easily turn out ten times that much, the rest of the capital and the plant apparently being in a state of enforced idleness.

176 The Wilputte coke ovens—three batteries of 50 ovens each—were supposed to take care of the coke requirements of three additional blast furnaces—Batelle, C and D. As not even one battery could be completed till very near the end of 1922, five years after the work was started on it a costly row of the now discredited and discarded drag ovens—300 of them was laid out, that could not have cost them less than 12 lacs of rupees to build, to be afterwards thrown to pot. The third battery of the same installation is not yet complete. The great Clairton works of the Carnegie Steel Company, consisting of 768 ovens and a full by-product recovery plant—the largest of its kind in the world—and completed in the rush of the war, 1917-18, in less than 18 months and the Tatas 150 ovens have taken upwards of 80 months.

And so the scheme proceeds, *ad libitum*, nobody apparently being in any too great a hurry.

177. Now as regards some of the features of the scheme, let me turn to the Duplex plant. The use of *Duplex Process* for making steel has not found much favour in England or in America and in the latter continent, there are these plants only of any considerable size that use the duplex process in conjunction with the tilting furnaces. At one of these plants, the Lackawanna Steel Company, Buffalo, New York, I am told that the costs are such that the duplex process is only used during times of large production, being shut down wherever there is a falling off in the demand in the market.

178. At Jones and Laughlin's at their Aliquippa plant near Pittsburgh, the officials state that the higher grades of steel are never made by this process and that straight Talbot alone will not make any more steel in a given time than the straight O. H. process, provided quality is the same. At the Illinois Steel Company's plant at Gary better quality of steel is never made at that shop, but transferred to the straight O. H. furnaces.

179. In Canada, the Dominion Iron and Steel Company at Sydney, N. S., had two 250-ton and ten 50-ton tilting furnaces, operated so far as possible in conjunction with Bessemer converters ,but over three years ago, they abandoned this method entirely and dismantled the Bessemer plant, because the process did not pay as well as the straight O. H. operation.

180. Another evidence of the way this matter is looked upon and as an index to the trend of modern thought, is shown by the fact that with the exception of one additional tilting furnace at Gary, all the new plants and extensions made in the United States of America for quite a number of years have adopted the ordinary straight type furnace. In 1922 there were seven furnaces completed at various steel plants and at the end of the year fourteen more were under construction, none of which were for duplexing.

181. The reasons are obvious. There is a double conversion cost, first blowing the pig iron in converters and secondly, in working same in the furnace, both of which add to the final cost of production. Secondly, there is a decided prejudice amongst Railway Engineering circles to look down with disfavour on the use of the Duplex steel for rails, better grades of plates, sheets, etc., for a steel that is once oxidized and then deoxidised can never be the equal of a steel that has not undergone the cycle. The metal whose manganese and silicon is reduced with a blast in the converter is a different product from the one whose impurities are worked out by means of lime in a furnace.

182. Thirdly, pig iron with two or more per cent. of manganese, it never pays to eliminate it in duplexing, for manganese has to be added later on in the bath and it is wasteful to take a thing out when you have to reintroduce it. The lack of manganese is a serious handicap that necessitates the additions of ferro in the ladle, increasing thus the cost or even when it is added in the form of speigle in the bath, for ferro-manganese is costly. "If good steel has to be made by the Duplex process, it is necessary to have a sufficient amount of manganese in the bath as well as in the slag."

The already inferior quality of Tatas steel will be further heightened when they begin to duplex it.

183. It is a moot point whether the railways will accept any duplex steel for their rails for I have a specification of Canadian railways in which it is expressly barred and presumably Canadian practice is based on British precedents. There are going to be two 25-ton converters at Jamshedpur, and I cannot figure out where they are going to get all the metal they want for their capacity. Two only 12-ton converters of the Youngstown Sheet and Tube Company have an average production of 65,000 tons per month or 780,000 tons a year. a production of pig which all of Tatas furnaces cannot evidently make and certainly some part of this—and a fairly good part—has to be sold without duplexing for the market.

184. Similarly, the amount of steel that can be turned out from two tilting and seven straight O. H. furnaces will be far in excess of any requirements that can be met from the blast furnaces, even considering that no time was shortened for the heat on the old furnaces by the charging of unblown pig. This means that the plant will have to run part time, in other words, the cost will still further have to go up.

185. Turning now from the Duplex plant to the mills, one is evidently confronted with a like power. Where is all the steel going to come from to feed these mills. It is a well known axiom in America that running of mills less than 60 per cent. of capacity does not pay. The Tatas will probably find it is true in their case also.

186. Let us take only one for the present—the Morgan 24″ and 18″ continuous sheet bar and billet mill. According to the average of practices of a number of plants, a mill of this type has a capacity of between 2,500 and 3,000 tons of sheet bars and billets a day. Where is all this product going to be disposed of? For their 16″ and 19″ merchant mills, there will be a demand of 200 tons a day—their record was 177 tons in 1917—and possibly about 150 tons

for the tin plate mills, though they might use as many as 200 tons, and with 50 tons additional for any of the subsidiaries making a total consumption of 450 tons a day or 11,250 tons a month, a tonnage that this mill will roll in about five days and not more than six or only twenty per cent. of the capacity—raising thereby the question of the disposal of the rest of the output of billets for which we have our doubts as to any possible market in this country,—or meaning that the whole mill will remain idle the rest of the time with its costly skilled staff—both imported and local—drawing all the same. Would this conduce to any increase in production or any economy in the cost thereof?

187. A Morgan continuous mill is a quantity production mill and the terrible initial investment is justified only when it is run to capacity which in turn can be done only when there is a demand for one kind of stuff only.

188. Another question that naturally suggests itself is as to where this steel is to come from that might keep this mill busy all the time. The pig iron from six blast furnaces on the average of present production will hardly yield enough steel or what would just suffice to keep the Morgan mill operating at capacity leaving no pig iron—their important source of profit—for sale or no steel for any of their other mills. We will presently show how.

189. Taking 1,900 tons of pig iron a day, from five blast furnaces, assuming full capacity production, which they have never been worked to yield, would mean at 50—50 mix of hot metal and scrap, a total charge of 3,600 tons, which in turn at 90 per cent. yield, would mean 3,420 tons of ingots a day or not enough to keep the Morgan Mills going continuously. (On the present average of production, 1,600 a day roughly, there will be 2,880 tons of ingots a day.) This reckoning assumed all the pig to be turned into steel and as we said, evidently they want some for their foundries and a good bit for the market. 50—50 mix, besides, is impossible because there will probably be never that much scrap in India and it does not pay to duplex such a small proportion of pig.

190. One or the other investment, our opinion is both, is a ghastly mistake The new Blooming Mill alone can easily take care of the entire output of ingots and the old one will have to remain idle. If the Morgan Mill has to be fed alone, there would be nothing left for the two 28″ rail mills.

191. To us it seems there could not be a worst ill balanced plant ever designed nor fastened to the necks of any concern. Even taking the most charitable view, the needs of the present seem to have been totally sacrificed to the exigencies of the future—of which everybody is uncertain.

192. Taken as a whole, the expectations entertained of the Greater Extensions seem to us to be grossly exaggerated or that the Tatas are a bunch of inveterate optimists. If past history, the trend of prices, and the precedents of the Company are any index to a forecast, the conclusion can be only one, that the tendency of costs at Jamshedpur keeping pace with production is only way, that is, to *increase with increased output.*

193. To the original plant were added one Bar Mill in 1915; 50 Kopper s ovens in 1916; 2 O H. furnaces in 1917; one blast furnace in 1919 and one more O. H. furnace in 1920. The increase in tonnage thus rendered possible will serve as a guide which can be profitably employed in forming an idea as to the possible trend of events with regard to the extensions. Of course, strikes, lock-outs, dislocation in transport, lack of facilities, etc., will arise in the course of an industrial existence and a far-seeing management wisely makes provision for all such contingencies. They are seldom pleaded as specious causes.

194. The attached charts are submitted in support of my contentions that the Tata's costs are ever mounting. Is there anything to show that a like phenomenon is unlikely in the future?

195. From this analysis it would seem that the prospects are none too rosy, even when the Greater Extensions have come into operation. Altogether too much is expected out of these Extensions and the public induced to believe

that the entire aspects is likely to be changed when the whole plant is working.

196. The costs of production will not lessen simply because there is going to a greater output. Two main reasons for this is double conversion costs and the fact that the plant will be idle part of the time, we should say, greater part of the time. There is no assurance that the overhead will not increase, nor is there any guarantee that the prices of materials will not rise. With new additions in the plant coming into effect, more men will be needed and evidently more housing facilities for them, *i.e.*, more investments on that score or increased overhead. The increase in import duty will mean increased price of steel and collieries and other mines will be apt to put up their prices and so the vicious circle will continue. Duties cannot be indefinitely increased nor can the tangled affairs at Jamshedpur last indefinitely. The only possible solution lies in the introduction of the hitherto missing elements —efficiency and economy—on the plant. A thorough overhauling is needed, a drastic policy of retrenchment and a selection of the most efficient workmen, in other words, a basis of organization. The first factor in the stability of any concern is the existence of an organization that has to be built and then preserved, both of which need not only a level and clever head, but an education and training on the part of the executives that singles them out and puts them in possession of the aptitude for such work. The Company, unhappily had never the good fortune of having any one of the proper stamp to guide its bark through uncharted seas. Business in modern times has evolved rapidly from the one man show to that of a huge enterprise, in which the ramifications are so complex that it might be truly said, that business to-day entails the merging together of half a dozen professions into one. It is manifestly impossible for any one man, no matter who he is to be superior in the knowledge of all the multifarious branches, each of which need a real live expert, totally different from the kind one generally finds at Jamshedpur.

197. The most successful man in the steel world ever known, Mr. Andrew Carnegie, followed the principle of putting the best man he could find in charge of his particular line and demanding results One of his favourite maxims was " A good man is cheap at any figure and a poor man is dear at any price " and so far as is known, he never committed the mistake of paying immense wages to exceptionally poor men.

198 This takes us to the subject of *Expert Labour* at the plant We now-a-days hear too much about experts and are apt invariably to take for granted what is claimed than to enquire for any solid achievements. An investigation into the precedents of many of the so-called " Experts " at Jamshedpur and their qualifications to hold the position they at present do, will shed some very interesting light on the kind of men recruited as also incidentally afford as to just why the Company is not thriving as it should. The investigation is really worth the time and trouble expended thereon

199. The Tata Company was very reluctant to name any fixed period within which they hoped to eliminate all their imported experts. To us it seems strange how any concern can hope to be reasonably certain of its existence, with such a galaxy of useful servants as are at Jamshedpur free to exercise their will in a direction they are ill equipped by way of experience, information or knowledge. Is there any wonder, we ask, if the affairs of the Company are not very promising. It would pay the Company very, very handsomely to secure men for positions who have already filled similar positions at home, even if that would mean a few hundred extra rupees, for then the knowledge and experience gained elsewhere could be utilized for the benefit of the Company and not as it obtains at present, to prepare them at Jamshedpur for a vocation in life and which they may be free to exercise elsewhere.

200. Another point of immense importance is the eternal shuffling and shifting to which men are subjected from time to time from one department to another. It has been calculated that it costs on an average $100—for

every man so transferred—by way of loss of efficiency, if by nothing else during the time the new incumbent settles in his line. At that rate the bill at Jamshedpur can be calculated by lacs every year.

201. Coming to the subject of Indianization of services, some people are under the impression that the ending of all troubles at Jamshedpur can be brought about by replacing every covenanted hand by indigenous talent. However, desirable the idea, we are satisfied there will be very little good achieved under the present system—or lack of system—that prevails there. What is wanted first is a thoroughly sound, practical, business-like, fool-proof organization and then there will be time for such action and the period could not be very far away, either. Within five years from now, one can confidently and justifiably look to only two men—two real experts—as the only outside help that can be profitably entertained.

202. Summing up, the whole question of protection for the steel industry or the key industry, hinges on whether it is capable of standing on its own legs without outside support, either by way of a bounty or a tariff wall.

203. A bounty would cost the country an incalculable burden—nearly two crores of rupees—every year which is simply out of question, looking to the present state of the State finances A high protective tariff would throw back the progress of the country by nearly fifty years by making the use of steel prohibitive. The greatness of a country lies not so much in isolated steel development as in the presence of a steel consuming population. Why is the north of the United States of America so great in steel making, notwithstanding adverse conditions, whilst the south is poorer in spite of better facilities and natural advantages? It is in the absence of a demand for steel from the local population of the south, that the answer lies High prices of steel in India would retard manufacturing facilities meaning if not throwing out a part of the present workers, at least in not creating further employment. That aspect of the case has to be studied and carefully looked to as well

204. I hope I have shown that steel industry in India, that is the basic or parent industry, does not need any form of State aid; that it is quite able to stand on its own legs on the unique strength and character of the enormous advantages bestowed on it by a beneficient providence, but that the present state of the industry is solely due to the fact that practically every one connected with it has been content to let the same providence continue its activity in running the works, that from the comparison of costs here and elsewhere, a tariff is really necessary as *conditions stand* but if proper attentions were paid to Indian costs, it will probably be found that such is unnecessary. The shoe, then, will be altogether on the other legs.

205. If the facts and figures adduced herein are found by any means inadequate, a strong case, I hope will be found to have been made out for a thorough and impartial enquiry by a committee of really expert engineers entirely unconnected with the present Company to frame out an opinion on the situation and I may be permitted to add, I have very little doubt but that my statement will be substantially borne out. Hitherto, the enquiry has proceeded solely on the evidence furnished by the Tatas, but not a voice seems to have been raised to find out if the Tata costs are the most economical, scientific and modern costs and if there is not any room for bringing them up-to-date.

206. The Tatas may have a great overhead—as much as 10 to 15 rupees tacked on to every ton of pig iron manufactured and 30 to 40 rupees on every ton of finished steel made—due to all the various burdens of a great town-planning, administration, sanitation, water supply, etc.,—but that situation can be met by other devices, *i.e.*, by reorganization into an entirely separate company, or by the creation of a municipality or some such other methods and I am reasonably optimistic, the result could be achieved by merely an economic overhaul in both directions, the town and the works. Before any decision is arrived, we trust the Board will see its way to recommend a committee of investigation in that direction also. A self-sup-

porting, economical, indigenous steel industry would be a great blessing to the country as against an industry that has to be propped from time to time, for then there is naturally no inducement to economic management. As we previously hinted, the children of the soil are co-partners in any natural advantages that a country is blessed with and as such should share in the benefits so conferred. If steel could be manufactured in India cheaper than anywhere else in the world, it should be made to sell equally cheaply in the interests of the country and the price should be determined not on the c.i.f. basis, but on the as per actual costs. An investigation is now pending before the Federal Trade Commission in the United States of America, over the "Pittsburgh Plus" plan of selling in the Chicago districts and westwards of steel made in it but at a price on which is tacked the c.i.f. Pittsburg charges. The protest has been lodged by merchants and consumers on the injustice of the various steel concerns' action in this respect.

207. Further it is very welcome that attention should have been drawn by various testifying firm in India as to the adverse effect created on the manufacturing firms by the placing of tenders for stores by the Government of India and the Railways elsewhere than in India. The interests of any country demand that they be invited in the currency of the country alone if local enterprise has to survive. That is the surest guarantee of the creation and fostering of the various industries in the country, which cannot fail to be beneficial in the end. I want to cite the recent case of the Roumanian Government that placed a large order with American locomotive firms for the repairing and building of locomotives provided they were manufactured in the country. In two years time, facilities were created and now the industry is in the land and providing thousands with employment and what is more, making it independent of foreign supplies in times of crisis.

208. Similar steps were taken during the regimé of President McKinley of the United States with regard to tinplates and other allied goods. The interests of India too, demand a similar course, for we cannot continue to sacrifice indefinitely generations of consumers on a precarious chance of one day saving the situation. It would be infinitely more beneficial if found inevitable to pinch one generation so that the coming ones can, at least, be sure of an adequate reward.

Ferro-manganese.

209. While we are on the subject of protection of the steel industry I may be permitted to put forth a further suggestion regarding the conservation of certain other raw materials on which its very existence depends. I refer to the manganese ores. Large quantities are being exported at present of the Indian ores, which are of a very superior quality. This ore is converted abroad into ferro-manganese and used in the steel manufacture. So far as the present is concerned and unless and until some radical method is discovered to eliminate its use, Ferro-manganese is and will continue to be a very vital factor in such manufacture, so much so that there can be no steel unless there is ferro-manganese into it. If the present tendency to export manganese ores is continued indefinitely there may come a time when its supplies will be found inadequate to meet the demands of an expanded and developed Indian steel industry, which would be positively harmful. I would suggest an export tax on all manganese ores shipped out and the manufacture of ferro-manganese encouraged in the country, if necessary, even by a bounty. I will presently show the industry is a paying one in itself and need not entail any excessive capital.

210. The Tata works cost of ferro-manganese for the last few years is as under:

	1918.	1919.	1920.	1921.	1922.	1923 Mar.	April

Average selling price of ferro-manganese per gross ton at seaboard U. S. A.

Rs. 867-2	444-2	603-12	217-4	231-15	390-10 to 403 4 (at normal exchange).

The Tata cost of production is excessive due to a terrible wastage in quantity of ore and coke per ton product and one can be reasonably sure of getting a better product with considerably less cost and the prevailing prices offer a reasonable remuneration even after making ample allowance for freight and the 1½ duty per pound manganese contained in the alloy in the States.

211. Recapitulating, there is room at Jamshedpur for an annual saving from retrenchment and economy in labour, in fuel, in stores, in the tonnage manufactured both of pig iron and steel as also in the cost of such production to the tune of a crore of rupees, in itself a handsome dividend on the total investment.

APPENDIX A.

Amount of saving from the *Labour Force* by a judicious selection and employment of just the number of men needed for the maximum of efficiency would result in..................*36 to 40 lakhs of rupees per annum.*

APPENDIX B.

Elimination of waste in the *Boiler Fuel* problem would net is very easily..................*12 to 15 lakhs of rupees per annum.*

APPENDIX C.

Utilization of internal resources for the *Fuel Needs of Smelting and Heating* in the O. H. and reheating furnaces would save from........ .... *12 to 14 lakhs of rupees every year.*

APPENDIX D.

Loss in *Pig Iron Production* at the present rate of output at a profit of Rs. 30 per ton would mean a loss to the Company of a sum from................ *32 to 40 lakhs of rupees per annum.*

APPENDIX E.

Economies effected in practice and procedure at the blast furnaces would result in cutting the *Cost of Production* by at least Rs. 10 per every ton of pig iron manufactured would save from..................*30 to 35 lakhs of rupees every year.*

APPENDIX F.

Loss in *Steel Ingot Production* at the present rate of output amounts at Rs. 30 profit per ton to..................*30 lakhs of rupees every year.*

APPENDIX G.

Improvement and economy in practice at the O. H. furnaces would so bring the *Cost of Production down* as to lower the present figure by an average of Rs. 20 to 25 a ton ensuring a saving of..................*30 to 33 lakhs of rupees a year.*

APPENDIX H.

Efficiency in maintenance and running of the mills—blooming, bar and rail—would bring the *Cost of Repairs* to practically half of the present figures resulting in a net saving of approximate..................*5 lakhs of rupees every year.*

Further, reckoned on this basis, in 1921 and 1922, they were producing at Jamshedpur 4·8 and 4·4 tons respectively of finished goods per man per year compared to 10·8 tons in 1917. This figure is so ridiculously lower than the American average of about 108 tons per man per year, that talking to the President of a very prominent steel company, the official insisted on believing that we could not be employing men but merely children.

One need not be surprised, that a great amount of money is going to put or rather is distributed amongst a larger number of men instead of sending it to the pockets of stock-holders. Is labour to be blamed if more are employed by the management. More labour naturally means more expenditure, but this fact has not got to be lost sight of that though a larger number of men may have profited by this indiscriminate employment, the workman individually was no better off than before.

Since the plant came into existence in 1911, there were known only two general increases in wages, one 10 per cent. in 1913, on the initiative of the Agents themselves—we will give then the credit—and the second 10 per cent. in 1920, but not until after a regrettable loss of precious lives and much suffering. But then in 1920, the war had already been won and the people would go to the dogs.

During this same period, 1911 to 1920, there were ten general increases in America from 17½ cents to nearly 50 cents per hour for common labour and about ⅓rd that number in England and yet the Agents say that Labour eats away a small bit of the Company's substance. An impression created at the meeting was that Labour was the enemy of the stockholders and that as a consequence they did not deserve any sympathy. Sir, the situation is entirely different and I trust you will give prominence to this article in fair play to labour and with a view to dispelling some of the misconceptions to the Agents themselves.

STATEMENT III.

Gentlemen, The Directors of The Tata Iron and Steel Company, Limited, Bombay.

May it please you, do the following item interest you?

(1) How would you like to know that the normal force of 28,000 to 30,000 men employed at your works is merely energy misspent and that it can immediately and easily be reduced to half its strength without impairing its productive capacity and the monthly total pay roll of seven to seven and-a-half lakhs of rupees proportionately reduced, resulting in a saving per annum of Rs. 36 to 40 lakhs.

(2) How would you like to know that the Consumption of Stores at your plant is an extravagant waste and that a cut can be administered to it right away of 30 per cent. of its expenditure and that more could follow later. A saving can be effected in the purchase and use of the stores of approximately per annum Rs. 24 lakhs.

(3) Does it carry any significance to you when told that the 10,000 to 11,000 tons of coal fired away every month under the boilers is a preventible waste? How would you like the money spent on this item go into your pockets as profits instead of being blown to nought. The sum involved comes per annum to Rs. 12 to 15 lakhs.

(4) Would you wish an additional like sum to accrue as dividends from another of your Fuel Bill—the one charged to Smelting and Heating Operation by way of gas supplied to O. H. department and Heating furnaces? This sum amounts per annum to Rs. 12 to 14 lakhs.

(5) Do you know that on your production of Pig Iron your loss amounts to 110,000 to 150,000 tons of metal every year, meaning at a profit of Rs. 30

per ton on the present Cost of Production, a net loss per year of between Rs. 32 to 45 lakhs.

(6) Do you know that even at the present Cost of Production you are losing per every ton at least Rs. 10 it is capable of going down Rs. 15 these extravagance and waste, both of men and materials, representing an average loss per year on Pig Iron Production alone of Rs. 30 to 35 lakhs.

(7) Do you know that your present Ingot Production on H. O. Furnaces is merely 50 per cent. of what you are entitled to and the furnaces are capable of yielding and that you lose about not less than 100,000 tons a year in this department alone meaning at the rate of Rs. 30 profit per ton, what should net you, but you are missing Rs. 30 lakhs.

(8) Would you like to know that your present O. H. Cost of Production are simply shocking and that they are capable of considerable toning down. On an average Rs. 20 to Rs. 25 a ton less would not be a bad calculation, and that at that rate, even on the present scale of production you are losing your real good money to the tune, per year of Rs. 30 to 33 lakhs.

(9) Your cost of Production of Pig Iron should not exceed Rs. 25 per ton nor your Ingot Cost go above Rs. 55 reckoned on the present basis of prices, of materials and labour.

(10) Your annual Repair Bill on Mills—Blooming, Rail and Bar—represents a reckless extravagance that costs you every year 2¼, 3 and 1½ lakhs of rupees, that can readily be eliminated, resulting in a like saving annually of approximate Rs. 5 lakhs.

These figures do not talk mere enthusiasm, but are the dictates of sound good sense and practical knowledge of men and materials and procedure. Do they interest you? How would you like to laugh at Competition instead of eating the humble pie? Give the undersigned a chance to prove his statement and convince the sceptical.

M. HOMI, B.A., LL.B.,
Member of American Iron and Steel Institute,
Late of Tata Iron and Steel Works, Jamshedpur,
Munchershah Buildings,
7, Khambatta Lane,
Khetwadi.

The 15th October 1923.

Statement IV.—Letter, dated 30th November 1923, from Mr. M. Homi.

I am forwarding herewith the corrected version of my evidence before the Board and so far as I can recollect.

One point I desire to draw the attention of the Board, on going through the pages, is contained on pages 10 and 11, wherein in answer to certain questions, have been mentioned the names of two companies, *viz.*, Homestead Steel Works and the Pittsburgh Steel Company. These are misquotations obviously. I cannot recall how they could have been made, but evidently they must have been made in the momentary confusion of thought or of confounding the various figures.

I have tried to verify them—the reason for the delay in returning the papers—and I find they are two entirely different companies, whose names for the present, may be withheld.

Hence, these names should be deleted, for obvious reasons.

I am sending herewith three 1922 American costs for reference as also two of the statements that I promised, dealing on fuel costs.

(1) *Statement showing the true average costs for 1922.*

—	Coke.	Pig Iron.	Ingots.
	Rs. A. P.	Rs. A. P.	Rs. A. P.
Labour	0 15 6	2 1 0	2 13 0
All other Costs	0 15 0	5 15 0	10 12 0
TOTAL COST ABOVE .	1 14 6	8 0 0	12 15 0
Approximate Tonnage	9,000,000	8,000,000	4,500,000

Exchange based on \$ = Rs. 3-2-0.

(2) *Statement showing the saving effected from use of by-product Gas and Tar for Smelting in O. H. Furnaces.*

—	1920.	1921.	1922.	1923.
O. H. Tonnage	170,882	182,107	152,573	..
Fuel Cost per ton . . .	Rs. 5-6·03	Rs. 6-2·88	Rs. 7-12·20	..
Total Fuel Cost	„ 9,18,811	„ 11,26,787	„ 11,82,440	..
Gas available from By-product Ovens. (Surplus) Cu. ft.	775,285,000	849,690,000	789,995,000	..
Tar available from same sources .	gals. 54,299	gals. 694,214	gals. 871,909	..
Tons Steel from Tar and Gas .	91,095	102,324	145,782	..
Approximate saving in Fuel .	Rs. 4 lakhs.	Rs. 7 lakhs.	Rs. 10 lakhs.	..

Tar and Gas from the By-product Ovens alone would have made more steel than has been actually turned out from the O.H. Furnaces and when the third battery of the Wilputte ovens comes into operation, there will be a very handsome surplus left for heating, in Soaking Pits and Reheating Furnaces, almost all the steel so turned out.

Thermal Value.

Tar	140—150,000 B.T.U.
By-Product Gas	585—600 B.T.U.
Producer Gas	115—120 B.T.U

(3) *Statement showing the Fuel Value of Blast Furnace Waste Gases in the Interior Economy of the Tata Iron and Steel Works.*

Assuming a Coke Consumption of 2,000—2,100 pounds to a ton of pig iron, there is evolved on an average of between 140,000 to 150,000 cubic feet of waste gases as products of combustion of average 95-100 B.T.U. value. Allowing 30 per cent. for heating the stoves, 8 per cent. to 10 per cent. for wastages by loss, leakage, interruption, etc., etc., there is available for power generation purposes net 60 per cent. of the total gas evolution or the equivalent of approximately 17 Horse Power Hours per every ton of Pig Iron produced.

	A Fce.	B Fce.	E Fce.	D Fce.	C. Fce.
Capacity . . tons	300	300	250	500	500 per day.

——	1920.	1921.	1922.	1923.	1923 and onwards (when 'C' comes into commission).	REMARKS.
Furnaces . . .	3	3	3+1	4	5	Per day.
Total Production . .	850	850	1,016	1,350	1,850	Capacity per day.
Total H.P. Hours . .	14,350	14,350	17,272	22,950	33,450	Based on Capacity Production.
Boilers operated . .	26	31	34	40	56	On an average.
H.P. Developed . .	13,000	15,500	17,000	20,000	28,000	From Boilers assuming 500 H.P. per unit.
Excess available . .	1,350	*Nil*	272	2,950	5,450	From Capacity Production of Pig Iron.
Actual H.P. Hours .	11,959	12,797	13,869	17,892	..	From actual Prod u ctioa per day.
Excess H.P. left to be raised with Coal.	1,041	2,703	3,131	2,107	..	

The Tatas use more than the average consumption of Coke in America per ton of pig iron produced, which makes the situation much more emphatic, so far as the production of gases is concerned, meaning a marked ability to take care of the needs of the small excess remaining of Horse Power left to be raised by coal. The actual production is less than the capacity of pig and with a more efficient practice should be able to take care of practically the whole plant. When the C Furnace comes into operation, there will be more power available from the combined Blast Furnace installation than is the capacity of all the Boilers on the plant put together.

Statement V.—Letter, dated 2nd November 1923, from Mr. Homi, about source of his information regarding facts and figures submitted by him.

With reference to your No. 472 of the 27th ultimo enquiring on behalf of the Board about the sources of my information on facts and figures submitted by me—

(a) regarding the cost of steel, etc., in the United Kingdom and the United States of America, I have the honour to say that the same has been derived from detailed and extensive cost and practice charts of various companies in the United States, supplemented by timely and suitable articles in such noted journals as the "Iron Age" and the "Iron Trade Review," and contributed by various eminent authorities, and

(b) regarding the operations of the Tata Iron and Steel Company from personal knowledge and experience at the works for nearly five years, supplemented by complete cost and practice charts of the Company from 1912 onwards. I expect to disclose both these sources, to the Board, *in extenso,* in due course and otherwise satisfy them as to their *boná fides.* Of course, it has to be borne in mind that cost sheets are not lightly disclosed nor easily secured and the difficulties attendant there may be the source of the creeping in of an occasional error, but which error will remain more an error of an item than of the fundamental.

I shall be at the service of the Board on Saturday the 17th as well.

Statement V.—Letter, dated 14th January 1924, from Mr. M. Homi about source of his information regarding figures submitted by him.

In accordance with an undertaking I gave to you at the time of my evidence before the Board, to let you know some of the sources of my information, after receiving permission therefrom to do so, I am gald to be able to announce one such source and that is—

Mr. Barton R. Shover,
Consulting Engineer,
Pittsburgh, Pa. (U. S. A.).

Mr. Shover is a graduate of the famous Rose Polytechnic Institute, has been for many years Chief Electrical Engineer of the Carnegie Steel Company, Youngstown, O.; of the Illinois Steel Company, Gray, Ind.; Consulting Engineer to the Dominion Iron and Steel Company, Sydney, Nova Scotia; Alloy Steel Company, Charleroi, Pa.; Ashtabula Steel Company, The American Zinc Co., etc., etc., has been on the Engineering Committee of the United States Government; is at present busy designing and laying out a Cold Strip Mill and has been selected to write the American paper on " Power in the Steel Industry " for the World Power Conference to be held in London, June 30th to July 12th. Mr. Shover is, besides, a member of the American Iron and Steel Institute, Association of Iron and Steel Electrical Engineers, Engineering Society of Western Pennsylvania, etc.

Mr. Shover has expressed his willingness to make, if necessary, an affidavit in regard to the accuracy of the figures given by him—the said figures referring to the averages quoted, but would necessarily decline to furnish the Board names of individual companies for obvious reasons.

I have not as yet heard from the other sources, but expect to do so shortly, unless one of them—and the most important of them—is in Holland in connection with an Iron and Steel Plant that is being erected there.

Statement VI.—Letter, dated 5th November 1923, from Messrs. Tata Sons, Limited, submitting statement about Mr. Homi's representation.

We have the honour to acknowledge receipt of your letter No. 470, dated 27th October 1923, enclosing copy of a statement submitted by Mr. Maneck Homi to the Board and inviting us to make our comments thereon.

2. As you are probably aware, Mr. Maneck Homi was employed at Jamshedpur in certain minor capacities between November 1914 and September 1919. He started on a salary of Rs. 150 as Assistant Shipper in the Rolling Mills Department. He was transferred to the Open Hearth in January 1915 and worked there for about 3 years and 5 months; he was transferred from that Department as Assistant to the Traffic Superintendent in June 1918 and resigned his appointment in September 1919 when he left for America. His salary then was Rs. 275 per month.

3. In America we do not know exactly what work he was doing or what training he received. According to his own statement, through the kindness of Mr. Perin he got admission into one of the Carnegie Works; he applied for a scholarship or some monetary assistance from our Company in 1920 from America; but on the strength of the advice received from the Acting General Manager, Mr. S. M. Marshall, at Jamshedpur, we had to decline his application. We understand from Mr. Tutwiler that Mr. Homi, while in America, cabled to his father at Jamshedpur to see Mr. Tutwiler in regard to some position for Mr. Homi in the new Wilputte Coke Ovens. Mr. Tutwiler declined to take him. Mr. Homi on arrival at Jamshedpur this year, seems to have applied to Mr. Tutwiler personally, but did not succeed in getting a position. These are simple facts, and we do not desire to refer to the personal aspect any more than may be absolutely necessary for us to do in refuting statements which he might make. We do not know what sort of work he did while in America, and by his own showing he does not seem to possess any American University degree or diploma; but in his letter to us he gives out that he is a member of the American Iron & Steel Institute. What this connotes we do not know at this moment, but it may mean nothing so far as technical qualifications are concerned. Nor do we know how or where he obtained the figures which he has collected in his statement. All the same Mr. Homi seems to have visited several of our Directors in Bombay and offered to help the Company to save enormous sums for a consideration. On none of them, however, did he leave the impression that he had any special ideas as to the business he was talking about except that he thought that he could run the organization and operate the plant much better than anyone else. He also addressed the Agents and laid a statement before them about six weeks ago of much the same nature in which he stated that, if we did not adopt his proposals and convene our Board to meet him, he would at once make the statement public and send it to the Tariff Board, and he assumed that we had suppressed material facts in our evidence. He was told that he could publish anything he wished.

4. The manner in which he has handled our costs in comparing them with English or American costs betrays his incapacity. He seems to assume that, if the total working cost of a Department in one factory compares unfavourably with the working cost of a corresponding Department in another factory elsewhere, each of the component items of the former should compare unfavourably with each of the corresponding items in the latter. This would obviously be absurd, as one factory situated in India and another situated in America may have certain advantages under certain heads and disadvantages in others so that, although the details may not uniformly compare with one another, the aggregate may show a result not visible under each head. As the Tariff Board is by now aware, this Company has been examining costs over and over again every month. Besides, with a view to scrutinize the details in comparison with up-to-date factories in America we had brought out an expert Accountant two years ago who stayed at Jamshed-

pur for several months, looked into all the details and who then (1921) reported to us that the costs, though high under certain heads, did not compare unfavourably with those of similar Works in America. He prepared charts comparing our practice with American. These are now, of course, out of date but, if the Board wish to see them, we shall be pleased to have copies made and will forward them. Independently of this, an English expert who had been called out by another concern to advise on a proposition to establish an Iron & Steel Works in competition with ourselves is known to have expressed his conclusion, after knowing our practice and costs at Jamshedpur, that they were as good as or better than English costs. This seems to have deterred progress with the rival scheme. As the Board is, no doubt, aware, the Bengal Iron Works which began the manufacture of steel gave it up as impossible years ago restricting its work to the manufacture of pig iron, castings, ferro-manganese, etc. Similarly, the new Indian Iron and Steel Company has also restricted itself to the manufacture of pig iron and castings only, whereas it is the Tata Steel Company alone which has been struggling successfully in manufacturing iron and steel and, on the whole, showing a net profit in successive years some of which have been known to have been the worst in the history of the iron and steel trade. It is easy to conjecture, therefore, that, while on steel we have not been able to make large profits or have been making sometimes losses, our Works have consistently been making such profits on pig iron as to enable the Company to withstand the losses on steel and pay all its charges and also pay dividends wholly or in part. This could only have been possible if the cost of production of pig iron at Jamshedpur is considerably lower than the corresponding cost in our rival concerns in India or elsewhere, and this is true.

5. Thus, Mr. Maneck Homi's contention that our costs are high or savings could be effected cannot apply to the manufacture of pig and as regards the manufacture of steel, as we have shown above, the fact that our rival concerns have found it impossible to go into it shows that there could not be very much room under existing conditions in India to bring down costs without further experience and skilled labour. That strenuous efforts are being made to this end is well-known to the Tariff Board. A statement submitted to the Board at Jamshedpur has also shown that, while there has been a steady increase of production in the Steel Works, the number of covenanted men employed has been stationary or, at any rate, has not increased in anything like the same proportion as the increase of tonnage. Whereas at Jamshedpur we have 8 hours' shifts, in America they are having 12 hours' shifts. In each Department of the plant at Jamshedpur only a few at the top are covenanted men with skill in their trade, while the Indians working under them who are by far the larger number have been gradually acquiring skill. The comparative efficiency of the Indian workman due to such well-known causes as physical stamina, climatic conditions, training, is low, perhaps one-fourth or one-fifth of the American or the Englishmen or Scotchmen in Steel Works. It necessarily follows, therefore, that the number of men operating in each Department in India should be larger than in similar Works in the more advanced countries. This does not require any elaboration.

6. That Mr. Maneck Homi does not possess the necessary qualifications to criticize or advise the Company will be obvious from the manner in which he makes suggestions. For example, he states that the Steel Company employs 30,000 men while American Works do with a very much smaller number. He does not mention that this 30,000 includes about 14,000 coolies and only about 16,000 skilled men directly concerned with operations. Nor does he mention that this 30,000 includes the operatives employed both in operation and construction. There is besides the element of efficiency per man in India and in more advanced countries. For example, even in the cotton industry which has been established so successfully in Bombay and one or two other centres, the efficiency per man is to-day after so many years of experience, much less proportionately than the efficiency per man in England or America, and three or four men are required in the place of one.

7. Again, Mr. Homi alludes to the large quantity of fuel consumed at Jamshedpur compared with Europe or America. But he does not go into the comparison of the quality of the coal available in India as compared with that available in America and the reason for this. Similarly, he compares, to our disadvantage, the cost of silica brick used at Jamshedpur with the practice in America and elsewhere. Had he known anything whatever about the subject, he would have known that the manufacture of silica bricks in Europe or America has been a recognized industry for a long period, whereas in India the manufacture of similar bricks is only a few years old, that the cost must, therefore, necessarily be high and that the quality of bricks in India is not equal to that of those manufactured in America or Europe, though it is hoped that that standard may soon be reached. His remarks on the cost of relining are, therefore, of little value.

8. As an example of the inaccuracy of Mr. Homi's statements we may take one simple instance: on page 9 of the Memorandum forwarded to us the following words occur:—

> "Yet the Tatas bought and contracted for coal in the market at tremendous prices for the Steel Works."

It is within the knowledge of the Tariff Board that our prices for coal supplies from outside are fixed by the contracts at 8 annas per ton above the price paid by the Railway Board, and we believe we are correct in stating that the contracts of the Indian Iron & Steel Company for coal are fixed in the same manner.

9. The ludicrousness of the situation will be obvious when we mention that out of the total expenses on production of pig iron and steel, *i.e.*, Rs. 210 lacs during the last year Mr. Homi by a letter of his addressed to the Directors, of which we enclose a copy, undertakes to reduce Rs. 160 lacs, leaving only Rs. 50 lacs for the whole operation, raw material, etc. The absurdity will be clear when we mention that in the Rs. 210 lacs the wages of labour alone of all kinds is Rs. 90 lacs. How Rs. 160 lacs could be saved out of Rs. 210 lacs is beyond our comprehension.

10. It seems to us that under the circumstances mentioned above it would be a waste of public time for the Tariff Board to take Mr. Homi seriously and lay upon us the burden of going through the voluminous document he has produced and controverting every single point raised by him. If, however, the Tariff Board have satisfied themselves that Mr. Homi is competent to criticise and his status is such as to warrant time being spent on him, we shall lay before the Board a statement in due course.

Statement VII.—Letter, dated 14th November 1923, from the Tata Iron and Steel Company, Limited, correcting certain statements made in the "Kaisar-i-Hind" by Mr. Homi.

Our attention has been called to a letter addressed by Mr. M. Homi and published in the "Kaisar-i-Hind," an Anglo-Vernacular weekly paper, on the 4th November 1923 (copy enclosed), and in the interests of the Company we desire to correct the false statements made therein.

It is not true that during the strike the Company spent 12 lacs of rupees in 34 days in feeding a few men working at a few boilers. The total actual out-of-pocket expenses during the strike did not even reach this figure, and were about 9 lacs. The total cost of feeding men in the plant and for provisions was 1 lac, and this included the distribution of rice to coolies, who at certain periods of the strike attended in numbers of 7,000 to 8,000 per day, and were given rations equivalent to two full meals per day.

There is a statement in the letter that beer and stout were amongst the articles that were provided at the worksite. This statement is entirely false. Nothing was spent by the Company on beer and stout and, to our knowledge, no one was permitted to bring liquors inside the Works.

The letter also says that there is a disparity in the number of men employed compared with the production. The writer suggests that as against 11,715 men on the plant in 1917 producing 123,890 tons of finished materials there were nearly 26,000 men in the past year producing 150,000 tons. This latter tonnage was the reduced tonnage forced on us on account of the set-back caused by the strike. But what is a more important mis-statement is that the labour force shown by the writer as existing in 1917 is the total labour force in the Operation Departments alone, whilst in the case of the labour force for the past year, the figure given by him includes all the men working in the Greater Extensions.

It is also stated in the letter that only two increases of 10 per cent. in wages have been given since the plant started as against heavy increases elsewhere. This again is grossly incorrect. The work of individuals has been appreciated from time to time and increases given specifically for different jobs. Besides this the increases were from 20 per cent. up to 25 per cent. on a sliding scale in March 1920, with a further increase of 15 per cent., 10 per cent., and 5 per cent. on a sliding scale in June 1920. To this must be added the advantage of the Provident Fund which means a cost of 8⅓ per cent. to the Company in addition to the extra wages paid to labour. Mr. Homi's statement is, therefore, entirely inaccurate and misleading.

Oral evidence of Mr. M, HOMI, recorded at Bombay on 16th November 1923.

President.—Mr. Homi, you were formerly, I think, in the service of the Tata Iron and Steel Co., at Jamshedpur?

Mr. Homi.—Yes.

President.—Can you give us the date when you entered their service?

Mr. Homi.—November 1914.

President.—Before you entered their service would you tell us what your training had been,—whether you had any technical training before then?

Mr. Homi,—No. I had no training. I was a Graduate of the Bombay University in Chemistry and Physics.

President.—I think you hold the Degree of M.A.?

Mr. Homi.—I am a B.A., LL.B. I studied up to M.A. standard in Chemistry.

President.—In what departments were you employed in the Tata Works?

Mr. Homi.—I started as Assistant Chief Shipping Officer: then I was switched on to the Gas Producer plant.

President.—Will you give the dates?

Mr. Homi.—It was about February 1915 when I was put in charge of one of the Producer gas plants in the open hearth furnace where I remained up to 1918. From there I went for training to the Bengal Light Horse, and on return I was put in as Assistant Traffic Superintendent. That position I held up to September 1919. Then I resigned and went out to America.

President.—Then you resigned your position about September 1919?

Mr. Homi.—Yes.

President.—Then you went to America. Will you tell the Board what your object was in going to America?

Mr. Homi.—I wanted to specialise in coke and by-product plant. For that purpose I entered the Carnegie Steel Company's plant at Clairton. I was there for about a year. It was a course marked out and I was allowed to go and work in different departments for two or three months each.

President.—How were you able to obtain admission?

Mr. Homi.—Through the good offices of certain friends of mine who are in the steel line. After that I went to another plant of the Carnegie Steel Co. at Clairton. There I was permitted to go round and see the whole plant.

Mr. Mather.—The first year you were in Clairton, you were entirely on the Coke oven and by-product plant?

Mr. Homi.—Yes.

President.—How long were you on the second plant?

Mr. Homi.—I think it was about 8 months.

President.—In that establishment you were not confined to any one department but were allowed to examine all departments?

Mr. Homi.—Yes.

President.—Were you in the service of that company?

Mr. Homi.—Yes.

President.—And in what capacity were you employed in the company?

Mr. Homi.—I was employed as an ordinary labourer. When a person first goes in there he has to take some sort of a job. There are no unpaid apprentices and as it was the time of slump no man was employed and many men were sent off. I wanted to get in and that was the only way to get in. As I had just got out of the Coke oven I got in here as a labourer on the muster roll, but was permitted through the good offices of the General Superintendent to go and see the whole plant. After finishing that I went out on a tour of inspection or visit to different other plants and in that way I travelled to many places.

President.—How many plants did you see?

Mr. Homi.—More than half a dozen.

President.—How long did this tour occupy?

Mr. Homi.—8 to 10 months.

President.—How did you obtain facilities for examining the works in the various shops?

Mr. Homi.—Through the good offices of certain persons whom I knew intimately and some others who were actually in the plant, *i.e.*, who were officials on these Steel Plants whom I used to meet when visiting different institutions, attending association meetings, etc.

President.—Did you take with you credentials from either of the two firms under whom you were employed?

Mr. Homi.—No. I had an introduction from a well known Consulting Engineer at Pittsburgh. Through that I was afforded facilities to go and see things.

President.—During this tour did you present these letters of introduction to the management when you went to the works?

Mr. Homi.—To many of them.

President.—What happened after this tour of 8 to 10 months?

Mr. Homi.—I came back to Pittsburgh which I had kept as a sort of headquarters, being in almost a central position. Then I started to compare all these different things that I had seen, tabulating them with the state of affairs prevailing at Jamshedpur. After that I came over here to Bombay.

President.—When did you come back to Bombay?

Mr. Homi.—27th July last.

President.—Have you been continuously in Bombay since then?

Mr. Homi.—I paid a visit to Jamshedpur and came back to Bombay.

President.—How long did you spend at Jamshedpur?

Mr. Homi.—I think about a month.

President.—You have told us that you were employed in the Gas Producer plant, in the Shipping department and in the Traffic Department at Jamshedpur. Again in America you were employed on the Coke ovens and then nominally as a labourer in another concern. You have had no actual experience of working in any other branch of iron and steel manufacture?

Mr. Homi.—You mean practical experience?

President.—Yes.

Mr. Homi.—I had no practical experience.

President.—In the written statement that you have sent in to the Board you have given a number of interesting figures as to the state of affairs which exists in the United States of America and also occasionally, in the United Kingdom. You will remember no doubt that the Board wrote to you on the 27th October and said that they would be glad if you would inform them from what source the facts and figures in your written statement were obtained, and pointed out that they had to decide what value should be attached to the statements of fact placed before them in evidence, and that

President.—The Board wants to know what authority there is behind this statement. It is impossible for us to rely on such a statement.

Mr. Homi.—It is for Homestead Steel Works.

President.—We understood you obtained these figures from a Consulting Engineer who was not in the service of the company. Are you prepared to supplement what you have stated, in any way?

Mr. Homi.—Matters like that are of common knowledge in the United States, especially about the tonnage per man and so on.

President.—If it were common knowledge it would be about 100 and not 107·5 tons—down to the decimal point. Of course if it is merely on the authority of a Consulting Engineer, who had *primâ facie* no means of knowing, it does not appear that the authority for the statement is very high.

Mr. Homi.—He could not have made the statement unless he was sure of his ground.

President.—We know nothing of the Consulting Engineer and we are not in a position to say what weight is to be attached to the authority.

Mr. Homi.—The Board has to judge it.

President.—You are not in a position to tell us anything further as to how he obtained the information?

Mr. Homi.—No.

President.—In paragraph 46 you say "One steel plant with an average total force of 813 men at the works and producing approximately 2,000 tons of sheet bars and billets per day shows the following tons per man per day." Could you tell us what plant it was?

Mr. Homi.—Pittsburgh Steel Co.'s.

President.—Can you tell us how you obtained that information?

Mr. Homi.—Same source.

President.—In paragraph 48 you give figures for four large steel-making concerns in the United States. Can you tell us where that information was obtained?

Mr. Homi.—Obtained by me personally.

President.—Are these published figures?

Mr. Homi.—They were given to me by the Vice-President of the Steel Company.

In the case of Youngstown Sheet and Tube Co. the information was given by the Vice-President of the Co.

In the case of Carnegie Steel Co.—by the General Superintendent.

,, Illinois Steel Co. (Gary)—by one of the Mill Superintendents.

In the case of Republican Iron and Steel Co.—by the Assistant to the Vice-President.—From the Annual Report for 1920 (shown to the Board).*

President.—Taking the Youngstown Sheet and Tube Co. where you got the information from the Vice-President, did he give you permission to use the information publicly?

Mr. Homi.—Yes. It is a matter of common knowledge.

President.—Are details such as production in tons and the number of men employed annually published in the annual reports of Steel Companies in America?

Mr. Homi.—Many of them do, but not all. I have got a report of the Republican Iron and Steel Co. They have given this information.

President.—They give you production in tons also—is that so?

Mr. Homi.—Yes.

President.—That is one of the Companies you have mentioned?

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* Not printed.

Mr. Homi.—Yes.

President.—And that document that you have just shown me is a public document?

Mr. Homi.—Yes. The figures are for 1920

President.—Am I right in understanding that in each of these concerns the figures were supplied by an official of the Company who gave you permission to use it?

Mr. Homi.—There was no implied objection to it.

President.—In the case of the Youngstown Sheet and Tube Co., I understood you to say that the Vice-President told you that there was no objection to your using them.

Mr. Homi.—Yes.

President.—In the case of the Carnegie Steel Co.?

Mr. Homi.—There was an implied understanding that there would be no objection. He know the purpose it was to be used for and he would not have given it unless he felt that it could be published.

President.—As regards the Illinois Steel Co.? Was the Mill Superintendent in a position to supply these figures?

Mr. Homi.—The figure is in round numbers and he gave it from his own information: it could have been more or less.

President.—Then the Tata Iron and Steel Co.?

Mr. Homi.—From the balance sheet.

President.—Take the next paragraph No. 49. You say "one company over a period from 1913 to 1921 inclusive found that its total mill labour, including departmental heads but not the general office expense, amounted to the pay of a common labourer for 24 hours at the average rate during that period." Can you tell us what that Company was?

Mr. Homi.—This information was from that Consulting Engineer friend of mine from Pittsburgh. The name cannot be divulged.

President.—Did he give you that name?

Mr. Homi.—No.

President.—It merely rests on this that your Consulting Engineer friend in America informed you that one Company obtained these results?

Mr. Homi.—Yes.

President.—In paragraph 52 you say "From a prolonged tour of various steel plants in America last year, the figures as determined by me, as to the number of employees . . . . . ." and then you go on to give the figures. These figures, I take it, were obtained from a number of sources during your tour?

Mr. Homi.—Yes.

President.—How were you able to obtain these figures?

Mr. Homi.—From the Superintendents of different departments.

President.—Were they in any case supplied to you by the management of the concerns?

Mr. Homi.—No.

President.—You obtained them from departmental heads?

Mr. Homi.—Yes. Of course it may not be with the express consent of the management, but in giving me permission to go round the plant and assisting me to investigate they implied a certain sort of consent.

President.—But you did not in any case get express permission of the management?

Mr. Homi.—No.

President.—I take it the departmental superintendents were not in a position to give you permission to use the figures. They were merely servants and not responsible for the management of the concern. Your position is, I take it, that since nothing was said, and there was no word of prohibition, therefore you presume that you are entitled to use the figures?

Mr. Homi.—Yes.

President.—If you look to paragraph 58 you say "The American figures are taken from a number of plants that are smaller, equal or larger in size than at Jamshedpur, etc." and that is referring forward to the long table which you give in paragraph 62. Will you tell us how these figures were obtained?

Mr. Homi.—These figures were obtained from a well known firm of Consulting Engineers in Chicago, and from the same Consulting Engineer to whom I have referred and one firm of Consulting Engineers at Pittsburgh.

President.—Two in Pittsburgh and one at Chicago?

Mr. Homi.—Yes.

President.—How were they in possession of these figures?

Mr. Homi.—I could not say.

President.—Were they the Consulting Engineers for the firms whose figures were obtained?

Mr. Homi.—No.

President.—So that they had no special means of obtaining these figures?

Mr. Homi.—You may take it that they were in a position to obtain these figures, not necessarily by any underhand means or anything of that kind.

President.—Yes, but we cannot question them before the Board and ask them how they obtained these figures.

Mr. Homi.—These figures were supplied to me on condition that I did not make any use of them while I was in America, but that I was at liberty to make use of them when I returned to India so long as I used figures which were only an average and did not disclose the name of the firms.

President.—What was it that they gave you? Did each firm give you figures company by company, or did they merely give you an average?

Mr. Homi.—In some cases average, and in some cases individual companies.

President.—Did you draw any inference from the fact that they expressly stipulated that you were not to disclose the names of the firms from whom these figures were obtained?

Mr. Homi.—Yes.

President.—May I ask you what was the inference you drew from that?

Mr. Homi.—The cost sheets were mostly secret affairs and they naturally wished that these should not be published.

President.—That is to say, the information which they held they ought not to have been in possession of?

Mr. Homi.—I should not say that. When an Engineer writes in a journal he is in possession of certain figures of a number of companies but he does not necessarily disclose the names of the companies. In the same way these firms were in possession of the figures and they in turn supplied the figures to me.

President.—Are the kind of articles you are thinking of anonymous articles or signed articles?

Mr. Homi.—Signed articles.

President.—But in this case you have told us that the Consulting Engineers refused to sign; they expressly stipulated that their names should not be disclosed?

Mr. Homi.—For the time being, but I have written to them. When I came to India I did not contemplate appearing before the Board and then things cropped up and I have now written to them whether I could disclose their names.

President.—But they did expressly stipulate that their names should not be disclosed?

Mr. Homi.—That is so.

President.—May I take it that the figures in these tables in paragraph 62 are figures that steel making companies in America would not wish to make public?

Mr. Homi.—It all depends.

President.—Have you seen corresponding figures for any company in any publication in America?

Mr. Homi.—There would be no objection to publishing, if it became necessary—I mean the old figures.

President.—I would still like to have an answer to my question. Hav you seen figures of that kind published for individual companies in America

Mr. Homi.—With their names on?

President.—Yes.

Mr. Homi.—No, Sir.

President.—Then you may take it that these figures are figures which the companies concerned would object to the Board having for public use.

Mr. Homi.—I should suppose that is so, but it all depends on the opinion of individual companies.

President.—I quite recognize that what has been given are only averages and that makes a great deal of difference. But supposing the figures were of individual companies, are these the kind of figures which steel-making companies in America would usually object to publishing?

Mr. Homi.—It would be difficult to say what their attitude would be. If I were concerned in the matter, I would not object to publishing the old figures.

President.—Your figures are for the year 1921. May I take it that the American companies object to the publication of the figures for 1921?

Mr. Homi.—Absolutely.

President.—If you look on to paragraph 76, you give the cost of making one ton of pig iron in the United States of America in 1914 and 1921. Can you tell us where you got these figures from?

Mr. Homi.—From the 'Iron Age' of some week in January. The chart that I have enclosed with this paragraph was made out from the chart published in the 'Iron Age,' by a well-known Consulting Engineer.

President.—You wish the Board to understand that these figures were obtained from public sources?

Mr. Homi.—Yes.

President.—In paragraph 79 you give the average consumption of iron ore for a ton of pig iron for the United Steel Corporation plants for 15 years: is that a published figure?

Mr. Homi.—No, that was obtained from a private source. I don't know whether that has been published or not.

President.—Are you in a position to tell us what is the source?

Mr. Homi.—The same source that we discussed about in paragraph 62.

President.—This is from one of the firms of Consulting Engineers you have mentioned?

Mr. Homi.—Yes. These statistics were made out from the iron ore consumption of different companies in different years from 1902 onwards and this was one of them.

President.—Similarly in the next paragraph—80—you give the average consumption of coke per ton of pig iron.

Mr. Homi.—It is from the same source

President.—Your authority for these figures entirely depends on the reliability of the particular firm of Consulting Engineers who furnished them?

Mr. Homi.—I have no hesitation in saying that these are most authentic sources.

President.—What is the authentic source that you contemplate? Do you wish me to understand that the figures were supplied by the United Steel Corporation to these firms of Consulting Engineers?

Mr. Homi.—I don't say that.

President.—Is not that naturally the source that one would consider as the most authentic?

Mr. Homi.—That would be so. It may be that they got it that way or some other way.

President.—Yes, but if they were obtained in some other way, would you consider that as authentic?

Mr. Homi.—Well, there are many factors; take coke, for instance, which is a matter of common knowledge, it makes no difference . . . .

President.—Matters of common knowledge are in our own experience very often exceedingly inaccurate and are certainly not statements on which the Board, in any case, could rely. When it is a question of prices in a manufacturing operation for which a quantity of certain raw materials are used for a period of, say, 15 years it is not a question of common knowledge. That would be a matter of common knowledge if the matter had been dealt with in the trade journals in a full way, but it is not a matter of common knowledge when it is a kind of figure that these companies do not publish.

Mr. Homi.—I can give you full details of practice made by the Trumble Steel Co. It is in the 'Iron Age' of March 1923.

President.—Just give us the reference to the 'Iron Age.'

Mr. Homi.—March 29th, 1923. Their consumption of coke was 1,986 lbs.

President.—In paragraph 83, dealing with the conversion cost of pig iron, you say "whereas in the United States, when the price of men and materials had gone up 100 per cent. or more, it was only $3·07 or Rs. 9 roughly."

Mr. Homi.—This refers to a particular Company making as much as about 20 million tons of pig iron.

President.—Will you please tell us what Company it was?

Mr. Homi.—I am afraid I would not be able to say that.

Mr. Ginwala.—I should not think there can be more than one Company producing such a big amount.

President.—Are you in a position to tell the Board from what source you obtained this information?

Mr. Homi.—From the Consulting Engineer, a friend of mine.

President.—Do you think the Board ought to rely on figures of that kind?

Mr. Homi.—It is for the Board to decide.

President.—In paragraph 84 you have given us the United States figures for labour per ton of pig iron. Can you tell us how these were obtained?

Mr. Homi.—These are averages of different steel companies. They are not published figures, but were obtained from private sources.

President.—In paragraph 88 you have given figures for 'all other costs.'

Mr. Homi.—That is from the same source. I have got all these costs with me and I would have no hesitation in showing them to the Board to convince them . . . .

President.—The point we are dealing with is that these statements emanated from the Consulting Engineers and you have no other higher authority than these Engineers themselves and as you are not in a position to tell us who they are, it does not carry us very far.

Mr. Homi.—I am afraid that is the situation.

President.—In paragraph 94 you quote from a statement by Mr. H. A. Brassert, ' a very well-known Consulting Engineer and the foremost authority on iron and steel in the United States of America.' The statement that you quote was made in a report on a local steel Company. Is that a published report?

Mr. Homi.—No.

President.—How did you obtain that?

Mr. Homi.—It was given to me by Mr. Brassert himself.

President.—Did he give you authority to publish it?

Mr. Homi.—No, but I could quote things of general interest but not figures.

President.—Did he give you authority?

Mr. Homi.—I don't see how an authority is needed in publishing a general question of that kind. He neither gave it to me nor did I think it necessary in any way.

President.—Was it a report that in its nature was confidential?

Mr. Homi.—The figures and other materials were confidential.

President.—Did he give you authority to use his name for a public statement?

Mr. Homi.—He has written in several journals, he has given several lectures and addressed in different institutions and it is quite possible that this sentence is about the same as what he may have repeated hundreds of times in different societies and in engineering magazines.

President.—You quote him as making a statement in a report on a steel Company. Does it not occur to you that it discloses the fact that he gave you a copy of this report?

Mr. Homi.—He has made reports on several different concerns—not necessarily one.

President.—In paragraph 95 you give certain figures for the American ' Spread ' between pig iron and billets and between billets and steel bars. Can you tell us where you got these from?

Mr. Homi.—These are from the " Iron Age."

President.—Can you give us the date?

Mr. Homi.—March or April of this year, I think.

President.—In paragraph 99 you give " an average of 4,291 tons per furnace per month " as the average of 30 American open hearth furnaces. Can you tell us where you obtained these figures?

Mr. Homi.—From the Consulting Engineer at Pittsburgh.

President.—Are these figures that would ordinarily be published in America?

Mr. Homi.—I suppose so.

President.—But do you know?

Mr. Homi.—I have seen figures like that often published in trade journals; even newspapers publish figures like that. There would be absolutely no objection.

President.—Take paragraph 102. You give us the actual operation of the Brier Hill plant (Youngstown). Can you tell us how you obtained these?

Mr. Homi.—These were given by the President of the Brier Hill Steel Co. to this Consulting Engineer at Pittsburgh.

President.—With permission to use them?

Mr. Homi.—Yes.

President.—That is what you were told by the Consulting Engineer?

Mr. Homi.—Yes, that's my recollection.

President.—And the Consulting Engineer informed you that the Brier Hill plant authorities had no objection to their publication?

Mr. Homi.—I suppose so!

President.—That applies no doubt to paragraph 104 about the Brier Hill plant?

Mr. Homi.—These are the tonnages they made. I think I had seen them in newspapers.

President.—In paragraph 111 you give the average consumption of ferro-manganese per ton of steel in the United States. Can you tell us how you got that?

Mr. Homi.—This is one of the points which is a matter of common knowledge in engineering subjects and I will now substantiate it by quoting from the "Iron Age"—17 lbs. inclusive of special castings.

President.—May I take it that the figure for the whole of America including every form of steel and special castings is 17 lbs. for every kind of steel?

Mr. Homi.—That figure of 17 lbs. was obtained from the "Iron Age" of April 1923.

President.—Where did you get the 12 lbs. figure from?

Mr. Homi.—The 12 lbs. figure is merely the figure for ingots. That is the average of 4 or 5 different companies.

President.—Where did you get the figure from?

Mr. Homi.—From the same Consulting Engineer from his cost and practice sheet. Everyone who moves in engineering circles knows what will be the average proportion for making steel ingots, 80 per cent. of ferro-manganese. It is a matter of mathematical calculation.

President.—That is a matter which will be taken up by the Board's technical adviser. Then, paragraph 116 where you have given the American costs?

Mr. Homi.—I have got this information from the same source.

President.—In paragraph 119 you have given the United States cost of silica and fire bricks; where did you get these?

Mr. Homi.—From the same source.

President.—Incidentally, what is it the cost of?

Mr. Homi.—Cost of relining per ton.

President.—There is not a word about relining in this. The figures are unintelligible, as they stand. Possibly there has been some disarrangement while printing.

Mr. Homi.—One set of figures refers to the cost of relining at Tatas and the other set refers to America.

President.—It must be per something.

Mr. Homi.—Per ton of product.

Mr. Ginwala.—At what rate have you taken the exchange?

Mr. Homi.—Normal exchange.

Mr. Ginwala.—Exchange has not been normal.

Mr. Homi.—I have calculated for simplicity's sake at the rate of Rs. 3-2-0 per dollar, the rates have been fluctuating so often and so much.

Mr. Ginwala.—You have taken the exchange at Rs. 3-2 per dollar. Do you think that the dollar had been as cheap as that?

Mr. Homi.—Dollars might have been worth more at that time, but for convenience sake I have worked at this rate.

Mr. Ginwala.—Don't you think that you have put the figures the other way about? The rupee value of the dollar is much smaller than it actually was at that time.

Mr. Homi.—I did not have the various figures of exchange at that time, and I have for that reason calculated at this rate.

Mr. Ginwala.—Does it strike you as fair—taking the least value of the dollar and comparing it with rupees.

Mr. Homi.—They might have fluctuated in 1919 and 1920. In 1914, they did not.

President.—In paragraph 121, you have given labour per ton of ingots. Could you tell us where you got these figures from?

Mr. Homi.—From the same source.

President.—As regards the figures given for United States of America, are they for one company or for how many?

Mr. Homi.—For about 8 or 10 concerns.

President.—Are you in a position to state what concerns they are?

Mr. Homi.—No. I am not permitted to divulge the names of those companies.

President.—In paragraph 123, you give the number of furnaces, men employed and men per furnace in five different American plants. Could you tell us how you obtained these?

Mr. Homi.—These were obtained by me personally.

President.—Had you permission to use them?

Mr. Homi.—Yes.

President.—In each case?

Mr. Homi.—Yes.

President.—Was that permission obtained from the management?

Mr. Homi.—Not necessarily. There is no implied objection to using them.

President.—There was no explicit authority asked for or given?

Mr. Homi.—No.

President.—But you took it for granted that you were entitled to use them publicly?

Mr. Homi.—Yes.

President.—I take it that you were admitted to these works by the courtesy of the Manager?

Mr. Homi.—Yes.

President.—Do you consider that it is fair to the management of the works to assume that you are at liberty to publish these figures which you obtained while visiting the works?

Mr. Homi.—They knew for what purpose I was out. In every case the purpose was explained.

President.—What did you state as your purpose?

Mr. Homi.—I told them that I wanted to compare their costs with the costs at home (India).

President.—In paragraph 141, you give figures about the average production of blooming mills.

Mr. Homi.—The 43″ mill refers to the mill at Ainsley, at Alabama. The 40″ mill refers to the mill at Trumbull steel works.

President.—There is another 40″ mill mentioned here. Three mills are mentioned altogether. Can you tell me how you managed to get these figures?

Mr. Homi.—Whenever a record is made, or something worth taking credit for is achieved, these are published both in the trade journals and in daily papers. Here is a publication (hands a chart to the President) of the 40" blooming mill showing different records and different tonnages turned out.

President.—You show me this as being the source from which you obtained the information?

Mr. Homi.—Yes. This would give you the average capacity of a 40" blooming mill. It need not necessarily refer to one of the mills here.

President.—Where did you get these figures from? I don't understand which figure in paragraph 141 you got from this.

Mr. Homi.—Not necessarily from the one published here.

President.—Which figure in paragraph 141 did you get from the published source?

Mr. Homi.—Not from the published source. I am showing you a copy......

President.—It does not seem to me to be quite a satisfactory reply. What I am trying to get at is how did you obtain these figures?

Mr. Homi.—From different mills.

President.—During the course of your tour?

Mr. Homi.—Yes.

President.—These are the mills you visited?

Mr. Homi.—Yes.

President.—And the same thing applies to these figures as applies to other figures I have asked you about?

Mr. Homi.—Yes.

President.—Then you give, in paragraph 142, the labour figures for a blooming mill, in the United States.

Mr. Homi.—These figures have reference to the cost sheets supplied by the Consulting Engineers.

President.—Are they averages of 9 or 10 concerns or what?

Mr. Homi.—8 or 9.

President.—The same thing applies to 'all other costs' of blooming mills?

Mr. Homi.—Yes.

President.—The same thing applies also to the figures about rail mills in paragraph 149?

Mr. Homi.—Yes.

President.—In paragraph 150, you give the total costs of production of rails in 1921 for American plants as $32·22 minimum to $47·15 maximum. Has that come from the same source?

Mr. Homi.—Yes.

President.—Similarly in paragraph 151, you give figures about merchant mills. Have they also come from the same source?

Mr. Homi.—This is separate. It is the one which I showed you before.

President.—In paragraph 152, you give the output per man per day in America. Was that obtained from the Consulting Engineers?

Mr. Homi.—Yes.

President.—In paragraph 166, you give the figures for coal consumption per ton of finished steel. These figures relate to the Carnegie Steel Co., United States Steel Corporation and another independent Corporation. Can you tell us what the other independent Corporation was?

Mr. Homi.—That is the Republican Iron and Steel Co.

President.—Could you tell us how you got these figures?

Mr. Homi.—They were supplied by the Consulting Engineers.

President.—They were not published?

Mr. Homi.—No.

President.—In paragraphs 177, 178, 179 and 180, you give certain information about the Duplex Process in America. Could you tell us how that information was obtained?

Mr. Homi.—During the course of my tour, but as regards Canada the information was obtained from the Consulting Engineers.

President.—As regards Canada, you obtained your information from one of the Consulting Engineers, but as regards the others, you obtained it in the course of your tour?

Mr. Homi.—Yes.

President.—They were obtained from the people whom you talked to when you visited these works?

Mr. Homi.—Yes.

President.—In paragraph 183, you say "Two only 12 ton converters of the Youngstown Sheet and Tube Company have an average production of 65,000 tons per month." Could you tell us where you got these from?

Mr. Homi.—From the same source.

President.—You remember when the Board wrote to you as to the sources of your information, we asked not only regarding the cost of production of steel in the United Kingdom and in the United States of America but also regarding the operations of the Tata Iron and Steel Co. Your reply is that regarding the operations of the Tata Iron and Steel Co. your information was obtained from personal knowledge and experience at works for nearly 5 years supplemented by complete cost and practice charts of the Company from 1912 onwards. That I think gives your answer.

Mr. Homi.—Yes.

President.—You have of course read the newspaper reports of the evidence taken by the Tariff Board while they were at Jamshedpur?

Mr. Homi.—Yes.

President.—But I think I am right in saying that at the time your written statement was complete, the Board had not yet issued the printed copies of the evidence they had taken.

Mr. Homi.—That is right.

President.—So that, apart from the newspaper reports the evidence taken by the Tariff Board at Jamshedpur was not one of your sources of information

Mr. Homi.—No.

President.—Did you obtain these complete cost and practice charts of the Company from the management at Jamshedpur?

Mr. Homi.—No.

President.—They are, I think, confidential documents, are they not, that the management do not usually disclose—and certainly not for publication except for special reasons?

Mr. Homi.—So I understand.

President.—Are you prepared to inform the Board how you obtained these documents?

Mr. Homi.—No, excepting a general statement that Tatas' costs, so far as I know, are not a matter of very great secrecy. I have found these costs in America as late as 1920 and 1921—open hearth and blast furnace costs at Gary and coke ovens and metal costs and some others at Pittsburgh.

President.—You saw them in America?

Mr. Homi.—Part of them.

President.—Can you tell us where you saw them?

Mr. Homi.—I could not say that for obvious reasons.

President.—Then you are not prepared to inform the Board how you obtained these documents?

Mr. Homi.—No.

President.—Then, you wish to give evidence on this footing—that you have placed before the Board confidential information and are not prepared to disclose how you obtained it?

Mr. Homi.—Yes.

President.—Are you content that the Board should draw its own inference as to how you obtained them?

Mr. Homi.—Absolutely. I have made statements about two things and it is up to the Board to judge about them.

President.—And you think that the Board would be justified in placing reliance on information of this kind?

Mr. Homi.—It remains for the Board to decide.

President.—Unquestionably, but I am asking for your opinion.

Mr. Homi.—I prefer not to give an opinion.

President.—Can you suggest any means by which these statements could have been obtained except from some servants of the Company?

Mr. Homi.—Generally he would be a servant of the Company who would have these costs with him. I would have been reluctant to disclose all these things, were it not for the fact that I found when I was in America these figures were very well known over there.

President.—But you are not prepared to tell us where you saw them?

Mr. Homi.—No.

President.—You ask us to accept your statement that they were very well known, but you are not prepared to tell us by whom they were known?

Mr. Homi.—I make it for what it is worth.

President.—On this question as to your sources of information, before we go further, my colleagues would probably wish to ask you certain questions.

Mr. Ginwala.—I think that you have taken upon yourself a very serious duty as you realise, that is to say, you have placed before us materials which if we accepted as correct were intended to influence our decision adversely against the industry in the country.

Mr. Homi.—Not necessarily adversely. I have placed before you certain figures with the idea of helping the Board as well as the industry itself.

Mr. Ginwala.—But the main allegations in your written statement are intended to convey that the steel industry is not carried on in the way in which it ought to be.

Mr. Homi.—At least that would be the inference.

Mr. Ginwala.—It would be our duty—and you would agree, I take it—to see first whether we could accept the statements which you have made in this letter of yours.

Mr. Homi.—It is up to the Board to satisfy themselves. If I may be permitted to cite a case, there is a Tariff enquiry going on in America at present. The Tariff Commission there has issued a questionnaire not only to the manufacturing firms in America itself but also to manufacturing firms in England, France and Germany and asked them to supply certain figures which will of course be treated as confidential. Most of the countries have supplied except France, and there was a big talk to find out whether some penal provisions of the Act could not be enforced against France for refusing to give the figures wanted by the Tariff Commission. If the Tariff Board think that these figures that I have put in are in any way going to give a hint or any conviction, it is up to the Board to try and investigate, in whatever way they like, to satisfy themselves about the cost of production in other countries outside of India, because it is an international question.

Mr. Ginwala.—That is not my point, I think that you will accept my view on this point. It is the duty of the Board no doubt to sift all the materials that have been placed before them, no matter from whom they come. You will agree that it is the duty of the Board to satisfy themselves that these materials are correctly placed before them.

Mr. Homi.—Yes.

Mr. Ginwala.—Now in this case how can the Board satisfy themselves? First of all the Board have got to satisfy themselves that you are in a position to give your opinion as an expert on the manufacture of steel. Is not that so?

Mr. Homi.—Yes.

Mr. Ginwala.—At least, we must, I think, presume that.

Mr. Homi.—It is for the Board to judge that.

Mr. Ginwala.—I am asking you, Mr. Homi, whether we should not start with the assumption that a man who gives evidence must be qualified to give evidence.

Mr. Homi.—Yes.

Mr. Ginwala.—Therefore we must assume that you are an expert on the manufacture of steel.

Mr. Homi.—I don't claim to be an expert as much as I claim to be a student of the manufacture of iron and steel.

Mr. Ginwala.—But you have never been in charge of any part of the steel plant up till now?

Mr. Homi.—Unless you want me to specify the producer gas plant which is a very important plant in steel making. Though one is apt to minimise the importance of the producer gas plant because it is a dirty thing—this is not however the case and it is running in intimate contact with the steel plant—one has full opportunities.

Mr. Ginwala.—You have never been in charge of any part of an open hearth furnace?

Mr. Homi.—No.

Mr. Ginwala.—Nor have you been in charge of a blooming mill?

Mr. Homi.—No.

Mr. Ginwala.—Nor of a rail mill—nor of any part of any steel works?

Mr. Homi.—No.

Mr. Ginwala.—Therefore to that extent your opinion is qualified, is it not?

Mr. Homi.—Yes.

Mr. Ginwala.—And the Board will be justified in scrutinising that?

Mr. Homi.—Absolutely.

Mr. Ginwala.—As regards the other materials that you have placed before the Board, you say that you got them from some Consulting Engineer, is not that so?

Mr. Homi.—Yes.

Mr. Ginwala.—You are not prepared to disclose his name?

Mr. Homi.—Not until I hear from him.

Mr. Ginwala.—You are not in a position to tell us how he got his information?

Mr. Homi.—No.

Mr. Ginwala.—We do not know the qualifications of this Consulting Engineer?

Mr. Homi.—Not yet.

Mr. Ginwala.—Then it comes to this. We have got to accept your opinion as to whether the Consulting Engineer also is qualified to give an opinion, is not that so?

Mr. Homi.—Yes.

Mr. Ginwala.—Do you think that the Board can reasonably do this?

Mr. Homi.—It is up to the Board.

Mr. Ginwala.—I am asking your opinion. Put yourself in our position.

Mr. Homi.—If I put myself in your shoes I would think that you are giving me enough hint. The statement itself is not meant so much to base an opinion on as to show the necessity for further investigation.

Mr. Ginwala.—That is perfectly true, but my point is this. You have placed your statement before us which is based on third hand or a fourth hand information. I am asking you whether the Board as a responsible body could act on that.

Mr. Homi.—It is not a question of acting.

Mr. Ginwala.—You are using that information. Can the Board use it?

Mr. Homi.—As I said, I have disclosed enough grounds for investigation. Unfortunately there are no steel manufacturing companies in India, except Tatas'. We are very far away from sources of information and the Board is sitting here. I do not know how far it is in possession of facts and figures from companies outside of India, *i.e.*, in America, and other places and whether it can judge or compare Tatas costs with others.

Mr. Ginwala.—We are trying to get this information but you have declined to give us the source. I thought you came here to assist the Board.

Mr. Homi.—I find the situation is such that it takes a long time before one gets any reply. I informed the Board of it in a personal note. This was meant primarily for Tatas. I first made the whole statement and wanted to draw the attention of the Directors of the Tata Co. to it and I had occasion to see about half a dozen of them, but my impression after meeting all these was that they seemed to be uninterested and finally I had to prepare this report and send it to the Board.

Mr. Ginwala.—That may very well be, but they may be also under the same difficulty as ourselves as to the source of information.

Mr. Homi.—They had all chances of investigation.

Mr. Ginwala.—We are now trying to investigate the matter. You have come forward to assist us for which we are grateful to you, but when we come to ask you for the source of your information you decline to give us it.

Mr. Homi.—You will realise my position. Unless and until I hear from America it would not be up to me to disclose it. Of course these men have consented in case it came to a tussle to verify all these things, but I must have their permission to disclose the source.

Mr. Ginwala.—Was it not important to have satisfied yourself as to whether you would be able to substantiate these things?

Mr. Homi.—I have satisfied myself so far as I am concerned.

Mr. Ginwala.—Do you expect that the Board would accept it without your undertaking to satisfy them?

Mr. Homi.—I have satisfied myself and on the facts I have given I have asked the Board to base an investigation.

Mr. Ginwala.—There are many facts which you have no doubt taken from public sources. Of course we have these. You also make allegations based on private sources of information which we have no means of verifying at present, and I am asking you whether that being so the Board would be justified in accepting those allegations as correct?

Mr. Homi.—I refrain from pronouncing any opinion. I will leave the whole situation entirely to the Board.

Mr. Ginwala.—That is no doubt true but try and help us. The point is that you make very serious allegations in connection with an industry These are based upon facts which you say you have derived from private sources and you won't disclose the nature of the sources and you do not tell us how you got the information.

Mr. Homi.—Might I suggest one thing? If these figures that I have given for Tatas are found to be correct, I do not know if it is too much for the Board to give me credit as regards the other information also, *i.e.*, I claim that the figures I have given as regards other companies might be taken as equally correct.

Mr. Ginwala.—Why? You may have much more easily acquired information from Tatas of an accurate description than in America.

Mr. Homi.—I do not know whether easiness and all that sort of thing comes in.

Mr. Ginwala.—You say that if Tatas' figures you have given are found to be correct, the other information should be also taken as correct. Is it a reasonable suggestion to make?

Mr. Homi.—I have given these things for what they are worth and I will leave it entirely to the Board to do what they like with them. But until such time as I have heard from America I cannot disclose anything.

Mr. Ginwala.—When you went to America you went to specialise in coke ovens and the course was for one year.

Mr. Homi.—Yes.

Mr. Ginwala.—How did you start visiting these steel works? What was the intention?

Mr. Homi.—Being connected with the coke plant there were ample opportunities and facilities of looking things round and being of an inquisitive turn of mind on these points it was not difficult for me to look and study different factors connected with the steel industry.

Mr. Ginwala.—It was then mere inquisitiveness, I take it, that led you to collect these figures in America?

Mr. Homi.—The object was to help the iron and steel industry as much as possible in India.

Mr. Ginwala.—By what means?

Mr. Homi.—By means of comparison.

Mr. Ginwala.—Merely by means of comparison?

Mr. Homi.—Not only by comparison of costs but by taking into consideration all the resources of different materials in themselves, raw materials and so on.

Mr. Ginwala.—For that purpose you spent two or three years in America?

Mr. Homi.—About 3 years and 5 months.

Mr. Ginwala.—Including the period during which you were studying coke?

Mr. Homi.—Yes, including that. My total stay in America was 3 years and 5 months.

Mr. Ginwala.—So you devoted 3 years and 5 months in order to get information to advance the steel industry in this country?

Mr. Homi.—Yes.

Mr. Ginwala.—When you were visiting these works in America, did you tell any of the management that you were collecting these figures for this purpose?

Mr. Homi.—Yes.

Mr. Ginwala.—You told the Heads of the Departments and managers of the works about this?

Mr. Homi.—I had letters given to me by the Consulting Engineer that I should be put in possession of these figures.

Mr. Ginwala.—I am talking of these cost figures.

Mr. Homi.—The cost figures were given to me by the Consulting Engineers but the figures as to the number of men employed, tonnage production per man, and tonnage outturn were based on my personal investigation.

Mr. Ginwala.—Officially?

Mr. Homi.—They were given to me by the managers and others. I have here got a letter from a Company in which these figures were given to me by the authorities themselves.

Mr. Ginwala.—We are more concerned with the cost of production. Are these figures based on what you were told by the firms' Consulting Engineers?

Mr. Homi.—I shall be very glad to disclose as to how I got these things were it not for the fact that I must have their permission first.

Mr. Ginwala.—Quite so: but you have given figures in respect of these various steel works. Did you ask for permission of the management of these steel works?

Mr. Homi.—In this case the information furnished is not considered as vital and does not seem to be a great secret.

Mr. Ginwala.—You have got the average cost of production of half a dozen steel works. Were these costs given to you by the Consulting Engineers?

Mr. Homi.—Yes.

Mr. Ginwala.—But have you tried to obtain permission from these works?

Mr. Homi.—When I have them from the Consulting Engineer I took it for granted that he had their permission.

Mr. Ginwala.—Their permission to give them to you?

Mr. Homi.—May be. I do not know.

Mr. Ginwala.—With regard to Tatas' works cost we should like to know, if you will tell us, how you had any experience of the working of their steel plant. You were never in charge of any of the departments which are concerned with steel and you say in your statement that you have experience of the works from other sources.

Mr. Homi.—I have said knowledge also and information.

Mr. Ginwala.—Quite so, but what did your knowledge of the steel works consist of? You were working in the gas producing department.

Mr. Homi.—That did not tie me up to the plant all day long. That left me ample time to go round and keep myself in touch with persons in the steel production section—superintendents, smelters and so on.

Mr. Ginwala.—Do you suggest that you got this information from the officials who were employed in the Tata Works?

Mr. Homi.—No, Sir.

Mr. Ginwala.—There are only two sources of information, either men in charge of the departments or men in charge of the office.

Mr. Homi.—If you will take it, so far as furnace is concerned, I had ample time to learn the practice and at the same time to know of things going on in other departments.

Mr. Ginwala.—You may know these things but you cannot get the exact figures.

Mr. Homi.—It is for the Board to judge whether these figures are right or not.

Mr. Ginwala.—We should like to know how you got these figures because as you know Tatas were unwilling at one time to allow us to publish these figures so far as they were concerned. That shows that they attach a considerable amount of importance to the works cost figures and the Board would like to know how you had access to these figures.

Mr. Homi.—I have nothing to add to what I have said.

Mr. Ginwala.—Namely, that you won't tell us how you got them?

Mr. Homi.—My source of information cannot be disclosed.

Mr. Ginwala.—You see that all our proceedings are conducted in public, the idea being that there should be as much publicity given to everything that is said here as possible. If you do not tell us how you got that information, do you think that we can act on that information?

Mr. Homi.—It is for the Company to contradict it. It need not necessarily be put before them for their acceptance but they are at liberty to contradict it, if they can.

Mr. Ginwala.—Before we ask somebody to examine a document we must ourselves be satisfied.

Mr. Homi.—I think it is a question of public importance and should be made available to any person.

Mr. Ginwala.—It all depends on who is the author of the document, on what authority he publishes the document, and on what information he bases his opinions. Unless the Board is satisfied on these points, do you think it would be fair to take it as correct to ask anybody to go into the document? That is what I want to know.

Mr. Homi.—That is for the Board to decide.

Mr. Ginwala.—You are not prepared to give the information and you expect the Board to explore the sources?

Mr. Homi.—If it considers it of sufficient importance.

Mr. Ginwala.—The importance of a document depends to some extent on the source from which it is obtained. Supposing we got representations from persons about any industry. Do you think that it is the duty of the Board to go into them unless they are satisfied on these points?

Mr. Homi.—I think the only way is to try and get the sanction of these men.

Mr. Ginwala.—Don't you think that you ought to have got the sanction before placing the information before us?

Mr. Homi.—I had just written to them when I got a letter from you.

Mr. Ginwala.—When you were at Jamshedpur did not you decide to put in this written statement?

Mr. Homi.—No.

Mr. Ginwala.—When did you think of it?

Mr. Homi.—After I found that my representation to the Directors did not result in anything. I tried to place all this information at their disposal to enable them to start an investigation. I was prepared to give them all possible help in this respect. I had no objection even to disclosing the name of the parties to the Directors of the Tata Co. but I did not get a satisfactory reply from them. Then the first idea came to me of placing it before the Board.

Mr. Ginwala.—I think you attended one or two meetings of the Board at Jamshedpur when we were there. Did not you think that it was of sufficient importance to place it before the Board then?

Mr. Homi.—I thought that if I got the Directors to investigate these things by themselves and find out a way there was no necessity to rush to the press. I thought if things could be done quietly it was no good to rush into print.

Mr. Ginwala.—You knew that we were making investigations into the steel industry. Did not it strike you that the proper authority before whom you should place this matter was this Board?

Mr. Homi.—My personal opinion is that Tatas were first to be consulted.

Mr. Ginwala.—But at the same time you never thought of obtaining the permission of these gentlemen in America.

Mr. Homi.—I had no hesitation in putting the names of these gentlemen before the Directors: I could have done it unhesitatingly. But I did not have that permission to put it before the Board or any public body.

Mr. Ginwala.—You are at liberty to give these names to the Directors Did you offer them?

Mr. Homi.—But they did not ask me for this: they never considered my statement. But if the Board of Directors had asked me to give the names I would have disclosed them to them.

Mr. Ginwala.—When do you expect this reply from America?

Mr. Homi.—It will be a long time: I cannot say definitely.

Mr. Ginwala.—You have only written to the Consulting Engineer?

Mr. Homi.—I have written to two of them.

Mr. Ginwala.—You have not written to anybody else?

Mr. Homi.—No.

Mr. Kale.—Most of those who have come to give evidence before us, having been representatives of certain firms or industries, have spoken with authority on the subject with which they dealt. You have told us that the statement that has been submitted to us should be taken as a basis for further investigation. Do you not represent quite a different type of witness coming before the Board?

Mr. Homi.—I am afraid so.

Mr. Kale.—In the case of the other witnesses we can go upon such facts and figures and statements as they place before us, but we cannot make any immediate use of your figures and facts. Are we not handicapped to that extent?

Mr. Homi.—I suppose so.

Mr. Kale.—And you cannot speak with authority for the moment?

Mr. Homi.—No.

Mr. Kale.—To that extent is not the value of the evidence you are giving very heavily discounted?

Mr. Homi.—It all depends on the view that the Board decide to take.

Mr. Kale.—This is the view I personally should take. When a witness comes and says he merely throws out suggestions and it is for the Board to carry on further investigations I would say that it is of no value. That is not helpful to us. What the witness is asking us to do is to investigate. That is indeed why we are here and why the witnesses come here also—to help the Board with facts and figures. If you are not going to help us with facts and figures, your evidence is discounted to that extent. Is it not a great handicap?

Mr. Homi.—You are welcome to take whatever view you like but so far as I am concerned, my view is that these figures are authentic.

Mr. Kale.—That may be so.

Mr. Homi.—It may be discounted in the opinion of the Board.

Mr. Kale.—Suppose certain figures are hopelessly at variance with the figures given to us by Tatas. Is it not reasonable that we should put more faith in the figures given by Tatas than in those you have given?

Mr. Homi.—It depends on the view the Board takes. I do not suggest for a moment that Tatas' figures have to be discounted: neither do I suggest that my figures are to be taken in the way in which I want them to be taken.

Mr. Kale.—That is to say, you are practically giving no evidence before us?

Mr. Homi.—It may not be legal evidence.

Mr. Kale.—Not even substantial evidence—evidence in the real sense of the word. Evidence is something which is given with authority. You your-

self are not sure of your authority. You are waiting for a certain reply to come from America. Till that reply comes and till we are certain of the authenticity of the information we are handicapped to that extent.

Mr. Homi.—Yes.

Mr. Kale.—I think you have made a statement that the workmen at Jamshedpur during the last six or seven years have been given only two increases—10 per cent. each time. Have you not made a statement of that kind somewhere here?

Mr. Homi.—Yes. That statement needs a little correction. The 10 per cent. increase was in 1920. I believe the average should be 15 per cent because so far as my information goes it was 20 per cent. given to people drawing under Rs. 50, 15 per cent. for people drawing under Rs. 150 and 10 per cent. for people over that. So that if you take the average it will come to 15 per cent.

Mr. Kale.—But your statement was that there were two general increases one an increase of 10 per cent. in 1913 and another increase of 10 per cent in 1920. Is not that your statement?

Mr. Homi.—Yes. So far as my information goes

Mr. Kale.—Suppose we receive another statement from Tatas which tells us that it was not only an increase of 10 but 20, or 25 per cent.?

Mr. Homi.—That will not make much difference because the increase given in America was something like 300 per cent.

Mr. Kale.—I think you have told us that Tatas' have thrown their labour to the dogs. You have made that statement in a newspaper in Bombay?

Mr. Homi.—I would like to see that first.

Mr. Kale.—Have you not written a letter to a newspaper in Bombay on this subject? Have you not said something about wages of labour? Suppose you have said that the workmen at Jamshedpur have been thrown to the dogs by Tatas'.

Mr. Homi.—It may not be in so many words: I do not know if it is the effect produced on the readers.

Mr. Kale.—You cannot say what the effect produced will be.

Mr. Homi.—I am prepared at any time to modify my statements in the light of subsequent information available.

Mr. Kale.—What I am trying to find out is whether the Board would be justified in relying upon the figures you have given, and I point out to you that in one or two of the statements you have made you are hopelessly wrong.

Mr. Homi.—There are 75 pages which the Board have to go over.

Mr. Kale.—There may be 200 more. If I show you that one or two of these statements are perfectly incorrect, is not the Board justified in putting the same interpretation on some other figures?

Mr. Homi.—This statement was not written with any antagonistic view with Tata's and not necessarily with a view to misrepresent them.

Mr. Kale.—Do not presume that I am attributing any bad motive to you. Here is the letter* written by Mr. M. Homi appearing in the Kaiser-I-Hind of 4th November on "Tata Iron and Steel Works—Is Labour responsible for loss?—A labourite's explanation." The statement here is "Since the plant came into existence in 1911, there were known only two general increases in wages one 10 per cent. in 1913, on the initiative of the Agents themselves—we will give them the credit—and the second 10 per cent. in 1920, but not until after a regrettable loss of precious lives and much suffering. But then in 1920, the war had already been won and the people could go to the dogs." This is the statement that you have made. If we have another set of figures which go to show that the increases in wages

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* Statement II.

have been much larger than you have given here, then what will you say about it?

Mr. Homi.—I have never criticised the Company's figures.

Mr. Kale.—The point at issue is that you have given certain sets of figures and if we find that these figures are absolutely incorrect, giving a wrong impression of Tatas' whom you are so very anxious to help, what is the Board to do? How can we proceed on the information given?

Mr. Homi.—It is a question of comparison of the labour figures of Tatas' with those obtained from the United States of America.

Mr. Kale.—Here the United States does not come in. This is a mere statement of fact, whether the increases given were 10 per cent. or more. Are you sure of this fact?

Mr. Homi.—So far as my information went.

Mr. Kale.—Now if you find that these figures are not correct, shall we not say that a heavy discount has to be allowed to most of the statements that you have made?

Mr. Homi.—Most of these were made by themselves.

Mr. Kale.—But you have made certain statements about Tatas' management. Are we not justified in allowing similar discount in the case of these? Several illustrations may be given where you appear to have exaggerated what may be the defects in Tatas' management. We are not concerned with these now. I am only concerned with the way in which you have given these figures. At least in one case you are hopelessly wrong.

Mr. Homi.—If I am wrong I am prepared to modify the statement with reference to subsequent information. So far as Tatas' figures are concerned. I am sure you have all these with you.

Mr. Kale.—In that case we must wait for months until we verify every statement of yours; and is this the kind of evidence that you have got to give before the Tariff Board, when you are yourself not sure of the facts?

Mr. Homi.—As I have said I have written for permission and until I get it I cannot disclose the source. In case of any errors I am prepared to modify them, but in so far as the vital facts are concerned I am ready to take my stand.

Mr. Kale.—What I suggest is—would it not be reasonable for you to take up such figures and facts as have been given by Tatas rather than follow this course which is not satisfactory even to you, and then offer your criticism on them? Would it not be more helpful to the Board and Tatas if you had followed this course?

Mr. Homi.—That is a different proposition altogether.

Mr. Kale.—I am putting that proposition to you because I find that your statement is not satisfactory to yourself. Would it not be more satisfactory, I ask you?

Mr. Homi.—I beg your pardon. I never said that it is not satisfactory to myself.

Mr. Kale.—By your admission the figures are wrong. We, as a Board, have to go on certain facts and figures. If it is a difference of, say, 10 lakhs in the labour cost in the figures you give and Tatas give, then our conclusions will go wrong.

Mr. Homi.—Well, you will realize my difficulties. I was not in an official possession of these facts that the Tata Company are in a position to disclose.

Mr. Kale.—Now that the Tata Company has given you the facts and figures, if you criticize them that will be more helpful. I would very much welcome your help as a sort of criticism: would not your help be much better if it were based upon such facts and figures as are published already?

Mr. Homi.—We are now discussing figures that were placed before you before the facts and figures were made public. It is up to the Board to find out how much of it is right and how much is wrong.

Mr. Kale.—You are not going to help the Board? You are giving evidence, as you say, to help us but you are throwing mud at other people and asking them to wash it off if they can.

Mr. Homi.—Throwing mud, that will be too big a thing to say. I have not tried to throw mud at anyone.

Mr. Kale.—You give figures of which you are not sure and base your condemnation on those figures. I put it to you, can you do this as a fair critic?

Mr. Homi.—These figures have been at my disposal and so far is my information. So far and no further. You could not expect I believe that any person could go further in the light of any new figures disclosed by Tatas and would be prepared to modify his statements.

Mr. Kale.—In that case you leave us to form our own judgment on the figures you have given?

Mr. Homi.—I have left it to them from the very beginning.

Mr. Kale.—I should say a rather big discount has to be allowed on your statements, in the light of what I have said just now.

Mr. Homi.—I leave it to you.

Mr. Kale.—What do you think was the reason which led the Directors of the Tata Iron and Steel Company not to accept your views? They are interested as much as you are in economy and better production?

Mr. Homi.—It is up to the Directors to say.

Mr. Kale.—You cannot divine what their motives have been?

Mr. Homi.—My inference may be wrong.

Mr. Kale.—In so far as the public are concerned, they would naturally be inclined to believe that Tatas should have welcomed any assistance such as was in your possession. If you offered it why should they not have accepted your help?

Mr. Homi.—It is something which I cannot divine.

Mr. Kale.—I suggest to you that they might have had the same difficulties that the Tariff Board have.

Mr. Homi.—They did not even argue on this point.

Mr. Kale.—Because they knew perhaps that your figures and facts could not be trusted and accepted.

Mr. Homi.—I cannot say.

Mr. Kale.—The impression that I have gained from what you said in reply to the questions asked by the President and Mr. Ginwala is that your statement is only a sort of incidental guide for us in determining what the costs of the United States are and what the comparative costs of the Tata Company are and then arriving at our own conclusion as to whether the help asked for by the Tata Iron and Steel Company for their industry from Government is justified or not. Is that correct?

Mr. Homi.—Absolutely.

Mr. Kale.—So that we should take that evidence for what it is worth and then prosecute further enquiries on the basis of the statement that you have made; and then if we think there is something in it we might in the light of the statement examine the position of the Tata Company. That is how you think about it?

Mr. Homi.—That is right.

Mr. Mather.—I should like to ask you one question, Mr. Homi. A lot of your evidence about the cost and condition in America has come apparently from a Consulting Engineer in Pittsburgh.

Mr. Homi.—Pittsburgh and Chicago.

Mr. Mather.—One Consulting Engineer whom you have referred to several times here. Can you tell us in what branch of Engineering that Engineer has specialized?

Mr. Homi.—I could not make any statement.

Mr. Mather.—You are not prepared to answer any question on that point? That makes it much more difficult to attach even provisional value to his statement because there are very many Consulting Engineers—Consulting Engineers who are eminent and competent in their own line but not specially experienced in criticizing steel works costs. There are some who are suitable and some who are not, but you are not prepared to give us any kind of information regarding the particular Consulting Engineer?

Mr. Homi.—Not at present.

President.—There are one or two questions that I should like to ask at this stage. I should like to have information regarding your relations with the Tata Iron and Steel Company. After you left their service in November 1919, had you communication with the Company during your stay in America?

Mr. Homi.—I would like to know first how all these have any relevancy with reference to the statements made, with all due respect to you, Mr President?

President.—I am afraid I must take the responsibility on myself for the question that I have put, but it is perfectly open to you to decline to answer that. Well, Mr. Homi, statements have been made to us by the Tata Iron and Steel Company on the subject of your relation with them which appear to the Board to be of some importance as bearing on the question of the weight to be attached to your statement.

Mr. Homi.—I have no hesitation in replying to this question but I object to that on point of principle. The investigation proceeds on the condition of the iron and steel industry, not what my relations are with the Tata Company or how this man or that man is related to an industry.

President.—It may be, but still on the question of the weight which the Board can attach to the evidence given by you I think I am bound to put the question, and it rests with you whether you are ready to answer or not.

Mr. Homi.—I take an objection on point of principle and for that reason refrain from answering it.

Mr. Kale.—You are not prepared to answer any question bearing on your relations with the Tata Company?

Mr. Homi.—Yes.

Mr. Ginwala.—You asked the President why he put this question. I think I have made it clear in my examination that it is very necessary that the Board should be satisfied as to the *bona fides* of the authority who makes these allegations in the statement and I think that the Board is entitled to know whether you are prejudiced in any way against this particular industry or not.

Mr. Homi.—I am not prejudiced in any way against the iron industry or the Tata Iron and Steel Company.

Mr. Ginwala.—You say you decline to answer questions which relate to your relation with your former employers?

Mr. Homi.—I object only on point of principle. While the investigation proceeds on iron and steel industry, no personal relation or anything of that kind are involved.

Mr. Ginwala.—If we accept your information that will have material influence on our decision; therefore it is imperative on our part to see whether you have got any prejudice for or against the Tata Company. In these circumstances it is necessary for us to enquire from you whether your relations with Tatas' were such that your mind is unprejudiced?

Mr. Homi.—Well, let us assume that I am the most perverted individual and that I am actuated by the most vindicative prejudice against the Com-

pany. These facts are hardly for a Tariff Board to judge. Personal prejudice or anything of that kind does not come into that.

Mr. Ginwala.—We must satisfy ourselves on this point before we look into the question.

Mr. Homi.—I am asking you to assume?

Mr. Ginwala.—Why should we? If we found that you were as you stated the most perverted of men and that your statement was prejudiced, we should have no hesitation in telling you that we did not attach any importance to it.

Mr. Homi.—It is for you to judge whether any sort of prejudice or vindictiveness or anything of that kind can crop up in a statement so far as the iron and steel industry is concerned.

Mr. Ginwala.—These statements have been made to us and if we went into them as you expected us to do, it would be necessary for us to examine the Tata people, and I am just trying to point out to you that we will not be able to prevent them from disclosing your ralations with them.

Mr. Homi.—They are at liberty to do so.

Mr. Ginwala.—In that case would it not be better for you when you are here before us to explain your position before the Board?

Mr. Homi.—I have absolutely no objection to disclosing my relations but I object on point of principle.

Mr. Ginwala.—What is that principle?

Mr. Homi.—Investigation into the connection of a particular individual with any Company has absolutely no bearing on the investigation into the iron and steel industry.

Mr. Ginwala.—Excuse me, your *boná fides* is a very relevant enquiry on the part of the Board to make.

Mr. Homi.—I beg to differ from you.

Mr. Ginwala.—I may point out to you, Mr. Homi, that you are prejudicing a very good case by declining to answer and that the inference might be that your relations with the Tata Company are such that you are afraid to tell the Board.

Mr. Homi.—I have nothing to add to what I have already said. I can make this personal statement, however, that no prejudice or any kind of motive has been allowed to creep into the matter of making this statement. In fact my *boná fides* could have been well understood if I told you that I went for about a month and a half after these Directors trying to persuade them to give me a hearing as a Board which I failed to receive.

Mr. Ginwala.—You say you had seen the Directors. Whom did you see?

Mr. Homi.—I don't think it would be right to disclose their names. I saw about half a dozen of them.

Mr. Ginwala.—When did you see them?

Mr. Homi.—From the middle of September right down to about the time I sent these statements to the Board.

Mr. Ginwala.—Did you ask for an interview?

Mr. Homi.—I approached the Directors myself. In certain cases I was taken to the Directors by certain friends of mine who already knew these Directors.

Mr. Ginwala.—Did you make any communication to any of them?

Mr. Homi.—Communication was sent later on.

Mr. Ginwala.—When was that?

Mr. Homi.—Before I had an interview with their agents.

Mr. Ginwala.—Which members of the firm?

Mr. Homi.—Mr. Peterson and Mr. R. D. Tata.

Mr. Ginwala.—Subsequent to that you never wrote to them a letter?

Mr. Homi.—Yes, I had sent a sort of circular letter to those Directors whom I had seen.

Mr. Ginwala.—Is this what you call a circular? (Shows Mr. Homi the circular letter).*

Mr. Homi.—Yes.

Mr. Ginwala.—What was the idea of sending this circular?

Mr. Homi.—After I had failed to receive an appointment or a hearing I thought I would send all these suggestions to them with a view to see if they were interested in knowing anything about them.

Mr. Ginwala.—You had no other motive?

Mr. Homi.—Nothing at all.

Mr. Ginwala.—You put 10 points before them?

Mr. Homi.—Yes: the same points that I have put in the statement.

Mr. Ginwala.—And you wound up by saying "Do they interest you? How would you like to laugh at competition instead of eating the humble pie?" What did you mean by that?

Mr. Homi.—If they had given me a hearing I could have convinced them.

Mr. Ginwala.—Did you not wish to obtain some sort of appointment in the Works?

Mr. Homi.—Not at any time after my return from America.

Mr. Ginwala.—Did you apply for any appointment from America?

Mr. Homi.—I think it was in 1921.

Mr. Ginwala.—Whilst you were in America?

Mr. Homi.—Yes.

Mr. Ginwala.—What sort of appointment did you ask for?

Mr. Homi.—On the coke ovens.

Mr. Ginwala.—Who is in charge of the coke works?

Mr. Homi.—Mr. Gupta. The new coke ovens were just coming into the works.

Mr. Ginwala.—Your idea was to supersede Mr. Gupta?

Mr. Homi.—Not in the slightest degree. He was in charge of the old coke ovens and there was a proposal of getting a man for the new coke ovens and I came to know of that while in America. At that time I made my proposal but never heard further from them. In fact I would not have made that request, if I may be permitted to strike a personal note, but it was in response to a request from my father.

Mr. Ginwala.—Did you ask for a stipend while you were in America?

Mr. Homi.—Earlier in 1921 I asked for a scholarship from them.

Mr. Ginwala.—Then after your return from America you did not see anybody at Jamshedpur?

Mr. Homi.—I saw the General Manager but merely as a personal affair, not in connection with any appointment at all.

Mr. Ginwala.—Did you tell the General Manager that you had these figures?

Mr. Homi.—No.

Mr. Ginwala.—Is not the Works Manager the person who is most interested?

Mr. Homi.—Ordinarily he is so.

Mr. Ginwala.—Can you suggest any reason why you did not approach that person?

Mr. Homi.—My impression was that the Manager is not interested at all in outside suggestions. I had known that from my 5 years' experience in

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* Statement III.

the plant and I thought it was no use letting him have all these facts which would have gone to the Manager in the ordinary normal course.

Mr. Ginwala.—Would it not have been just as well to tell him what you have said here?

Mr. Homi.—That might be, but I was not out for a job at all. I thought it would interest the Directors more than the Manager, so I did not tell anything to him.

Mr. Ginwala.—You had an interview with the Directors and you had these papers with you. Did you hand them a copy?

Mr. Homi.—I had these figures with me only when I had an appointment with the agents. To every Director whom I had seen I had shown these various charts which were easy to grasp.

Mr. Ginwala.—When you had an interview with the Directors and the agents, did you show them these figures in the document that you have sent us?

Mr. Homi.—No, sir, because this document was not prepared then.

Mr. Ginwala.—It was only when they refused to consider those figures?

Mr. Homi.—Yes, then this document was made out.

Mr. Ginwala.—After you made out this document you did not see them?

Mr. Homi.—No. A friend of mine took me to one of the Directors, but that was only a personal matter.

Mr. Ginwala.—Didn't you tell them that if they did not listen to what you were going to tell them, you would send them to the Tariff Board?

Mr. Homi.—No.

Mr. Ginwala.—Did you put your case in this form before them—I mean these 10 points that you have got? You had them with you at the time when you saw the Directors: did you not refer them to these points?

Mr. Homi.—Yes I did. They thought the figures were ridiculously high.

Mr. Ginwala.—They told you that?

Mr. Homi.—Yes, at least one of them.

Mr. Ginwala.—They told you that the figures were ridiculous?

Mr. Homi.—They said that they were very willing to accept any kind of suggestions that would save even Rs. 50 lakhs but that these figures were ridiculously high without even going into the matter.

Mr. Ginwala.—What is the amount you proposed to save? If everything took place as you suggested there would be a saving of about 2 crores of rupees?

Mr. Homi.—The savings in the individual items would constitute a certain amount of saving in the cost of production and it is the cost of production that has to be taken into consideration.

Mr. Ginwala.—I see. What was your idea when the Directors did not want to listen to you? They did not want to do anything for you. You had no particular interest in this: what was it then that influenced you to make these suggestions to the Directors?

Mr. Homi.—The point that urged me to send this representation to the Tariff Board was . . . . . .

Mr. Ginwala.—Leave alone the Board for the moment. Why were you so persistent in enlightening the Directors even when they did not show any interest?

Mr. Homi.—Because I thought the Tata Iron and Steel Company was no more a private corporation but affected the destinies of the whole country—the industrial development of India—and as such I thought it to be a duty of every right-minded Indian to give them as much help as was in his power.

Mr. Ginwala.—When you were at Tatas' were you all right right with your superior officers?

Mr. Homi.—I believe so.

Mr. Ginwala.—They formed a good opinion of you according to your idea?

Mr. Homi.—Absolutely, not only according to my own but theirs too. That will be shown by the number of increases that were given to me while I was there.

Mr. Ginwala.—Did they give you increases?

Mr. Homi.—Yes.

Mr. Ginwala.—On what pay did you start?

Mr. Homi.—I started on Rs. 150 and rose to Rs. 300.

Mr. Ginwala.—After how long?

Mr. Homi.—Five years.

Mr. Ginwala.—Do you consider that a heavy increase?

Mr. Homi.—During that time three increases were cut off.

Mr. Ginwala.—Is this the only thing to show that they thought well of your work?

Mr. Homi.—The increases granted by the immediate bosses were often not accepted or partly accepted by the Manager. Here was a procedure in which the man who is actually on the spot to judge of the whole affair is superseded in that respect by the higher management. This is a very unusual procedure.

Mr. Ginwala.—How often were you superseded?

Mr. Homi.—About three or four times I think. Three different superintendents had given me increases which had been cut off by the local management.

Mr. Ginwala.—Did you appeal against the management.

Mr. Homi.—No, because there was no hope from it.

Mr. Ginwala.—Can you suggest any reason why the higher management took that view?

Mr. Homi.—I refrain from giving any opinion though I know the reason. It would be of no use to the Board or any one else.

Mr. Ginwala.—May I take it that since your return from America you never intended to obtain any appointment in the Jamshedpur workshops?

Mr. Homi.—Absolutely not.

Mr. Ginwala.—Did you try to influence the management in any way?

Mr. Homi.—No.

President.—Am I correct in understanding that you did not think of approaching the Tariff Board until you had been to the Directors and they refused to hear?

Mr. Homi.—Yes, sir, not until I had first seen the Directors.

President.—When did you see the Directors?

Mr. Homi.—Somewhere about the middle of September.

President.—Can you give us the date definitely at all?

Mr. Homi.—No.

President.—You think it was about the middle of September?

Mr. Homi.—I came here on the 13th September.

President.—Did you see the Directors the next day, the day after or what?

Mr. Homi.—No, after about a week.

President.—It was not until then, after they had refused to hear you, that you thought of approaching the Tariff Board?

Mr. Homi.—Yes.

President.—Did you see the Directors' the next day or what?

Mr. Homi.—After about a week.

President.—It was not until after they had refused to see you that you thought of approaching the Tariff Board.

Mr. Homi.—That is right.

President.—I invite your attention to the date of this letter. (Hands Mr. Homi a letter).

Bombay, September 16th, 1923.

To

The Secretary,

Tariff Board, Calcutta.

DEAR SIR,

I shall be obliged if you will let me know what is the latest date the Commission is prepared to accept evidence for and against Protection Steel Industry, as I have a great mind to appear before your Board opposing such protection and have some of the most vital statistics, both from Home and from America, to sustain my contentions.

It is however, improbable that my statement will be ready for submission before the end of this month and shall be ready and glad to be examined orally to further elucidate my arguments, in the first week of October.

If your Board will grant me the necessary time, I am sure the Board as well as the public will have some startling and very convincing materials, whereon to base definitively a considered judgment.

Trusting to hear from you at an early date and thanking you in advance.

Yours truly,

M. HOMI,

C/o MR. S. N. DALAL,

Khambatta Lane,

Bombay, Khetwadi.

Mr. Homi.—This letter has no bearing on that. From the papers, I understood that the latest date for hearing evidence, I mean for receiving communications, was about the 15th September. That communiqué was issued in the Calcutta papers. I was afraid lest it might have been too late. It did not necessarily indicate any idea whether the representation would be sent or not.

President.—That was merely to reserve your right to send in a representation?

Mr. Homi.—Yes.

President.—Supposing the Directors of the Company had agreed to hear you and had started an investigation into the accuracy of your statement, I mean an investigation at Jamshedpur, would you have sent a representation to the Tariff Board?

Mr. Homi.—No.

President.—Even if the Tata Company had continued to proceed with their application for protection?

Mr. Homi.—I do not really grasp the point.

President.—That is to say, as long as the Directors investigated your statement, you would be quite prepared to allow the Tariff Board to go on their way without the advantage of the information you had, so that protection might have been granted although you were convinced that it was unnecessary.

Mr. Homi.—I am a protectionist out and out. May I be permitted to make a statement?

President.—But the point is this. You consider that there is nothing like efficient management at Jamshedpur and that therefore protection is unnecessary?

Mr. Homi.—Yes.

President.—If the Directors had started an investigation on the basis of your statement, you would not have approached the Tariff Board on the subject?

Mr. Homi.—The Board of Directors had enough evidence to start investigating, but did they?

President.—Why should the action or inaction of the Directors affect your coming or not coming to the Tariff Board?

Mr. Homi.—Because the point is this: if no action was taken by any party, in my opinion, the industry was standing a chance of being, you might say, doomed.

President.—What I am putting to you is that the Directors would be investigating your statement and simultaneously proceeding with their application for protection.

Mr. Homi.—It would have been for the Directors to justify their position then.

President.—You think that that is a sufficient justification for refraining from coming to the Tariff Board simply because the Directors were following up the line of enquiry you were suggesting?

Mr. Homi.—My whole motive is to put the whole industry on a stable basis. It does not matter who puts it. If the Company did it of their own accord, it was well and good.

President.—What I am putting to you is that the Company might investigate but that they might go on with their application for protection.

Mr. Homi.—It is, as I said, for the Company to justify their position in the matter.

President.—If they had investigated your assertions, you would have felt that it was not for you to interfere?

Mr. Homi.—That is my personal opinion.

President.—At this stage, before proceeding further with your examination, I think that the Board would desire to discuss privately the position which has arisen in consequence of the answers given on one or two points on which mutual consultation is desirable. Probably we shall be able to let you know in 10 or 15 minutes what the decision of the Board is whether the examination is to go on to-day or to-morrow.

(*The Board then adjourned for 15 minutes.*)

President.—I should like to say, Mr. Homi, that the Board had considerable difficulty in coming to a conclusion as to the way in which they ought to view the written statement that you have tendered. I won't enter into details just now. They feel that inasmuch as the decision they come to in this case may to a large extent affect their decision in similar cases in future, it is a matter which ought to be very carefully considered before they decide what is the best thing to do. The Board have therefore made up their minds that no decision shall be intimated this afternoon. They will consider the matter further and if you will be good enough to be present to-morrow morning at 11 o'clock, the decision of the Board as to the procedure will then be announced. I would like to explain that until the Board have come to a decision on the point as to the way in which the written statement is to be treated, it is impossible for them to give publicity to it. For that reason it is not possible to issue to the representatives of the press to-night copies of the written statement. Whether they will be issued to-morrow will depend upon the decision at which the Board arrive. I am sorry to leave the matter in suspense but the Board are strongly of opinion that the question is important and that it should be fully considered.

Oral evidence of Mr. M. HOMI, recorded at Bombay on Saturday the 17th November 1923.

President.—Mr. Homi, the Tariff Board have carefully considered how they should deal with the written statement you have submitted. That statement contains many figures relating to the operations of the Tata Iron and Steel Company, which were evidently obtained from copies of the complete cost and practice charts of the Company from 1912 onwards. These documents are in your possession although the Company treats them as confidential, and you have declined to inform the Board from what source you obtained them. The only inference the Board can draw is that you obtained them from servants of the Company whose duty it was to withhold the information.

The Board feel that it would be contrary to the public interest, if they were to accept as evidence and give publicity to information apparently obtained by methods open to the strongest objection. They must, therefore, decline at this stage to bring the written statement as it stands upon the record or to proceed further with your examination upon that basis. At the same time they recognize that there are a number of paragraphs in the written statement which are not open to objection on the ground stated. They have decided to limit their oral examination to these portions of the statement and they will resume the examination for this purpose at 3 p.m., on Monday the 19th November if the date and hour are convenient to you.

The portions of the written statement which it will be necessary to exclude deal with many questions which have already received and will continue to receive the attention of the Board. It is their duty to acquaint themselves to the best of their ability with all the relevant facts. But they cannot take as the basis of their investigation information irregularly obtained. To do so would be to acquiesce in methods of which the Board emphatically disapprove.

The Board will of course ask the Tata Iron and Steel Company for all information that appears to them necessary for the purposes of their enquiry and the Company have at all times expressed their willingness to give all the information that might be asked for.

Mr. Homi.—Gentlemen of the Tariff Board, may I be permitted to say a few words in explanation of my position and the stand I have taken up. I hope the Board will be good enough to accede to my request.

I have nothing to say one way or the other about the decision of the Board. I make no comments on the expediency or otherwise of the said decision. It is entirely within the competence of the Board to arrive at any solution it cares to. But I want an opportunity to clear up my stand

It is to be extremely regretted that the Tata Iron and Steel Company should have taken upon itself to drag personalities into a question that is discussed and should be thrashed out solely on its merits. The pleasantness or otherwise of my relations with either the Bombay Office or the Management at Jamshedpur, the scale of my salary or the importance or otherwise of my work at the plant, I beg to submit, has nothing whatever to do with an enquiry that is started by the Government of India into the Iron and Steel industry in the country.

At the risk of repetition and to take an extreme case, granted for a moment I was the most perverse of individuals, guided by the rankest motives both mercenary and vindictive, and the most inveterate prejudice against the Company, I put it to the Board—which is not a judicial tribunal that can be swayed one way or the other in its decision by the question of motives—I say, I put it to the Board whether that in any way affects the

investigation as to why the Tata Iron and Steel Company is not making money as I declare it ought to. The subject of motive does not answer my contention as to why twenty to twenty-five thousand men are employed where half would ordinarily suffice: It does not offer any explanation why their production is going down with an increase in facilities for an increased tonnage: It makes no refutation of my statement that they have an extremely poor manufacturing practice, that they have practically no business-like organisation, that they have a top-heavy and extravagant management. On the contrary, a great and noted firm like the Tata Iron and Steel Company like a good lawyer with a rotten case, stoops down to the petty question of personalities. I may be a humble individual compared to the great firm of the Tatas, but sincerity is not necessarily their monopoly. This step therefore is to be extremely regretted. Whenever a question of its kind has cropped up when some one has raised his voice on the score, the Company has tried to run away with the topic by bespattering mud all round.

While yesterday registering my protest on the grounds of principle against the Board being converted consciously or unconsciously into holding a sort of brief on behalf of the Company on this line of argument, I clearly made it understood that I had nothing to conceal or be afraid of. My motives could not, under any circumstances, be anything but fair and square as is evidenced by almost a month of my fruitless chase after half a dozen Directors to give me a hearing, on the point, as a Board. I was after no consideration for I politely declined the suggestion of one of them to use his good offices in that direction. I had no axe to grind whatever, I was ready and willing to give them any and all the information at my disposal which I am satisfied is authentic, even to the extent of divulging to them the sources together with other confidential reports for which I have the express permission of the parties concerned so far as the matter was taken up with the Directors only. The question of reference to the Tariff Board never arose because I had no definite information about its establishment prior to my departure from the States.

However willing I may be to help the Board in its works—my representation was forwarded with that express intention—it will readily recognise, I had no such permission to divulge the sources to the Board in fairness to all parties, unless and until I got their consent, pending the receipt of which there was nothing else to do but to decline and merely assert their *bona fides*. Besides my statement has not been put forward, so much with the object of influencing the decision of the Board one way or other as to furnish the basis for an investigation, which I maintain to the last, is absolutely essential and the least, to my mind, that could be done under the circumstances.

The reason is obvious. The Tata Iron and Steel Company is the only concern that makes steel products in the country and there is very little knowledge or information obtainable in the land regarding manufacturing practice and procedure. One is apt to take it for granted that the Tata practice is the "*ultima thule*" in that respect. For that reason, any information on that point emanating from countries well established in such industries, it would seem, should be very welcome, more so, since a commercial firm like the Tata Iron and Steel Company has made incursions into the realm of politics and seeks to bind down 320 million people to a policy based on its own presentation of facts. Their disinclination to furnish the Board with detailed practice figures of various departments is consequently highly significant.

The amount of different ingredients needed in iron and steel manufacture is a matter of mathematical calculation and more or less a mechanical operation, quite unlike the atmosphere of deep mystery that is ordinarily created round about Jamshedpur. That curtain I have tried to lift in the interests of the industry which means both in the interest of the Tata Iron and Steel Company and the country. My efforts shall be continued till that object has been attained.

I thank you.

President.—May we expect to see you on Monday afternoon?

Mr. Homi.—If you will permit me, I shall communicate my decision on Monday morning.

President.—It entirely rests with you of course. If you are unable to tell us now, you will no doubt let us know on Monday morning.

Mr. Homi.—I will.

Oral evidence of Mr. M. HOMI, recorded at Bombay on Monday the 19th November 1923.

President.—Mr. Homi, your note deals with a good many questions which are of a technical nature dealing with processes in the manufacture of iron and steel and the most convenient procedure will be that Mr Mather, our Technical Advisor, should in the first instance examine you with regard to those points and the members of the Board themselves will wait until that is finished before putting any questions to you.

Mr. Homi.—A word from me before the examination is resumed. After mature consideration and weighing in carefully the alternatives before me concerning my written statement, of presenting it to the Board as 'Take it or leave it' or permitting myself to be examined piecemeal on the paragraphs on which the Board desires elucidation, I have decided to choose the latter and am appearing to-day for the purpose declared, of helping in the labours of the Board. It should, however, be made clear that my presence does not in any way indicate any agreement from me with the opinion the Board formed on Saturday last nor of any subscription to its attitude towards the question of the publication of Tata's costs. As I pointed out on the first day, Tata's costs and figures are confidential only in name or in their estimation alone, for they are well known in various parts of America and but too well known in some eastern sections of our own peninsula. In certain instances my emphatic opinion is the information has not been divulged out of any disinterested motives by responsible servants of the Company but this much I may be permitted to add regarding my sources, that nothing but the best of intentions and the most patriotic of motives have been the guiding stars. But for that, I would have been extremely reluctant to disclose them. Out of deference to the Board's decision I shall confine myself to topics where Tata's rupees, annas and pies do not jingle.

President.—All that I wish to say about that is that the decision of the Board is the decision of the Board. I am quite willing that you should, as you have done in the paper, make your position clear, but the matter ends here. You have said what you had to say and the Board have given their decision. Mr. Mather will now proceed with his examination.

Mr. Mather.—In paragraph 10 you say "The Company know well it did not make much on rails—at least on the bigger ones—it had four solid years of experience both of manufacture and of market and yet in 1920-21, two years ago, it goes all the way to Simla and arranges for a six years contract for an increased tonnage of rails and to crown all at a fixed price when all their experience would have pointed out to them the unwisdom of it all.". That is not in accordance with my information. The Railway contracts were arranged at an earlier period and I think it is important that that should be realized, because the date on which the contract was made very materially influences the opinion of the parties to the contract as to the probable price.

Mr. Homi.—Thank you very much.

Mr. Mather.—Lower down in the same paragraph you say "with all the express knowledge at their command they curtailed their output of structurals that yielded them a better return in favour of rails on which they made practically nothing." We are aware of course that the Tata Company had made definite contracts to supply certain quantities of rails to the Railway Companies. They had, so far as I am aware, no such far-reaching contracts in regard to the supply of structural steel. After these contracts had been made the price of rails went against them and the manufacture of rails was not profitable for a time, was less profitable than the manufacture of structural steel. Do you suggest that simply because the manufacture of rails was less profitable than structural steel the Tata Company would have been justified in curtailing the manufacture of rails? Is it not rather to their credit that they endeavoured to make the contract deliveries even when the price proved unfavourable?

Mr. Homi.—It all depends upon the business line that they had taken. I don't say that they should have gone against the contract.

Mr. Mather.—I think the attitude of the Railway Board and other railway companies is that the Tata Company have done what they could to carry out their contracts.

Mr. Homi.—I am afraid in my opinion these contracts were rather rash.

Mr. Mather.—After having made the contracts, do you think that Tata's ought to have curtailed their output of rails?

Mr. Homi.—I admire their loyalty in this respect.

Mr. Mather.—That being so, I don't think it quite represents the position to say that they curtailed their output of structural steel.

Mr. Homi.—The natural inference is that, if they go in for more rails, it would curtail the manufacture of structural steel to that proportion.

Mr. Mather.—In paragraph 11 you come to the question of the advisability of making these contracts. These contracts were made with the railways for a long period at a fixed price. It may be questionable whether that was a sound policy. But at any rate there is this to be borne in mind that the railways had, previous to these contracts for the supply of rails, contracted to supply transport for a still longer period at a fixed price, and the railways themselves were adhering to that. It follows that there is a precedent, in the case of the railways, for having a definite price fixed for a considerable period.

Mr. Homi.—Yes.

Mr. Mather.—Then you suggest further on in this paragraph that the method of business of the United States Steel Corporation is a reasonable thing for the Tata Company to aim at. Do you think that the conditions of the steel industry in the United States and particularly the Steel Corporation with regard to that industry are in any way comparable with the conditions in this country?

Mr. Homi.—It is not so much a question of comparison of the local conditions as the question of comparing business methods. Long term contracts bind the parties to supply material at a fixed price which may not turn out to be favourable. It might turn out, as it did in the case of Tata's, that all cost of production might go up and they stand to lose on that.

Mr. Mather.—It might happen the other way about?

Mr. Homi.—Quite right.

Mr. Mather.—My point is this. The United States Steel Corporation can settle its method of doing business practically without any fear of competition from other countries. It is generally recognized that as regards internal competitors the Steel Corporation has an advantage in the cost of production. The consequence is that the United States Steel Corporation is practically in a position to adopt whatever method of doing business suits it best.

Mr. Homi.—Not so much as it suits best, but because it has a grasp of the situation right on the spot and a control over the cost of production, and the prices are only fixed for a quarter though the orders may be taken for a longer period.

Mr. Mather.—I think I am substantially correct in making a generalization that the Steel Corporation is in a position to adopt any method which suits it best. It exercises it with considerable wisdom I have no doubt, but no Indian steel company in the past at any rate has been in that position. They had to face the prospect of considerable foreign competition.

Mr. Homi.—Yes.

Mr. Mather.—In paragraph 13 you give us the production figures for open hearth, blooms and finished goods, year to year. I take it that the year which you mention as 1916 is 1916-17?

Mr. Homi.—I took the standard 1917 figures.

Mr. Mather.—That I take it is Tata's year 1917-18?

Mr. Homi.—Yes.

Mr. Mather.—And similarly throughout?

Mr. Homi.—Yes.

Mr. Mather.—Then you show for 1918 a considerable drop in production, but you ought to have allowed for the fact that the Tata Company's official year 1918 was only 9 months and therefore there was no real drop.

Mr. Homi.—We can omit that figure for comparison.

Mr. Mather.—The year 1919 was a year in which there was a strike.

Mr. Homi.—It was in 1920.

Mr. Mather.—That was the year 1919-20. The strike began in February and lasted for 24 days. That again affects the output—so that there again the figures for that year are considerably affected by the strike which completely stopped all production. Again in 1920 there were two strikes, first in the gas producer plant and later on in the open hearth which again affected the output for that year. Similarly in 1922 there was a strike which lasted for about 5 weeks and inevitably affected the production for a considerably longer period.

Mr. Homi.—Yes, but in 1920 they had 7 furnaces running.

Mr. Mather.—Certainly, except when the strikes were on.

Mr. Homi.—There was one more furnace in operation as compared to 5 furnaces average in 1917.

Mr. Mather.—Do you mean month by month the average of furnaces making steel was 5?

Mr. Homi.—Not month by month; average for the whole year.

Mr. Mather.—In paragraph 16 where you begin to discuss the cost of raw materials you observe ' few concerns enjoyed the unique position of a stability of and control over the prices of these raw materials as Tata's did and are doing." I cannot see that the Tata Company have any very special advantage in that respect. You have been in the United States of America Have you not found there that it is a regular thing for a large iron and steel concern to have control over its own coal, iron ore and limestone?

Mr. Homi.—But not over transport facilities.

Mr. Mather.—What control have Tata's got here?

Mr. Homi.—They have long term contracts for freight and the companies in the States do not at all have any advantage in that.

Mr. Mather.—I referred to that as being a possible off-set to the long contracts which Tata's gave to the railways.

Mr. Ginwala.—Do not the Steel companies have their own railways?

Mr. Homi.—Only for short distances.

Mr. Mather.—You don't claim that Tata's are in any unique position as regards anything but transport?

Mr. Homi.—Transport and the price of the iron ore.

Mr. Mather.—In what way have they greater control over the price of their ore than other companies in other countries which own their own iron ores?

Mr. Homi.—Very many companies get their supplies from different Syndicates.

Mr. Mather.—In most cases they are large shareholders.

Mr. Homi.—That may be, but not necessarily.

Mr. Mather.—Of course that is so. In England and on the Continent where I know the works well, it is a common thing for concerns manufacturing the kind of steel that Tata's do to control their own iron ore, coal and limestone I think that it is exaggerating the position very considerably to refer to Tata's as being in an unique position in that respect. I think that it is almost the regular practice.

Mr. Homi.—I still cling to my opinion.

Mr. Mather.—Lower down you say "The only fluctuating factor in these items was that of labour and even then it was not so uncertain or varying—there was a 10 per cent. increase in 1916 and an additional 10 per cent. in 1920."

Mr. Homi.—I have to change the "10 per cent. in 1920." There was a general increase of 20 per cent. in March 1920 and later on in June certain concessions were given which amounted in the case of common labour to about 7 per cent. addition, being in the form of two days' additional pay for four weeks' continuous work.

Mr. Mather.—We will take it then that you have modified it. But the question still remains whether you think that the labour cost would be the only fluctuating factor in the cost of raising ore.

Mr. Homi.—A very great one.

Mr. Mather.—In the next few lines you rather assume the cost of ore should increase by the same percentage as the cost of labour, neither more nor less. You quote the same figures. Do you modify these figures in the same way? If the cost of labour has risen by 10 per cent. it would only mean 10 per cent. on the cost of the ore. There are other items in the cost of the ore. Do you take it that the other items have not changed to any important extent?

Mr. Homi.—I do not know whether I would be permitted to take advantage of the next paragraph—paragraph 17.

President.—I am afraid that paragraph 17 is not before the Board.

Mr. Homi.—But it answers the question put by Mr. Mather.

President.—The only way in which you can deal with it is to tell Mr. Mather what you have to say.

Mr. Homi.—I have said in this paragraph that labour costs need not be the only factor. There may have been considerable rise in the cost of mining operations.

Mr. Mather.—That is what I am getting at. It is not a sound method to arrive at the percentage increase in the total cost from the percentage increase in labour.

Mr. Homi.—My proposition was that the increase in labour costs and increases in mining operations could not have amounted to such proportion as to induce that much increase in the cost of their final product.

Mr. Mather.—In paragraph 18, you tell us that Tata's bought and contracted for coal. You mention first of all Tata's own coal reserves and then say "Tatas bought and contracted for coal in the market in order to protect themselves in what manner I cannot conceive." You don't appear to consider this as a sound method. Supposing the coal reserves which Tata's required were not fully developed to their maximum output, (you would

probably agree that it would take a considerable time to develop these coal-fields) don't you think it reasonable that Tata's should have entered into contracts for coal until such time as the coal properties were developed?

Mr. Homi.—The General Manager in his evidence said that about 60 per cent. of coal was being bought in the open market, so far as I remember the figures. I understand that these coal mines were bought about 1916-17. There were about six or seven long years to develop these properties. I may be a little bit more exacting, but my opinion is that there was enough time during which these fields could have been developed to meet the full demands of the whole works.

Mr. Mather.—That of course is a matter of opinion. It is a matter for coal experts. We have been trying to get the opinion of people connected with the coal industry in order to clear up this particular point, but at any rate you don't want the Board to object fundamentally to the principle of contracting for coal in the open market in such circumstances?

Mr. Homi.—If Tata's sold their coal in the open market, I would like to know how these buyers got their wagons when Tata's themselves could not.

Mr. Mather.—That is a matter for the Wagon Controller. Then you refer to the selling price in the open market. It is always possible—I do not know whether it has not occurred to you—that some coal that was raised might not be of the particular quality that Tata's would require. In one mine coal may vary from seam to seam.

Mr. Homi.—It can under any circumstances be used as steam coal.

Mr. Mather.—It can, but it may not be always advisable to do so.

Mr. Homi.—I do not know about that.

Mr. Mather.—Then in paragraph 19 in discussing Tata's coal reserves, and the period for which the reserves will be sufficient, you take a million tons consumption a year with the Greater Extensions running at full swing, but later on in para. 35 you say that when the Greater Extensions are in full swing, the coal requirements might reach 1,400,000 tons a year.

Mr. Homi.—Even if it were 2 million tons, they would last 400 years which would be quite a long span of life.

Mr. Mather.—It would not look so startling as your figure 888, would it? Then in para. 20, you say that "Messrs. Kilburn & Co. took charge of the Tisco Collieries because they could not be run cheaply if we give credence to rumours." You will understand that it is not the function of the Board to give credence to rumours. They will require evidence before they can attach any importance to the statement.

Mr. Homi.—I cannot state more than what I have said. You can take it for what it is worth.

Mr. Mather.—Further down in paragraph 20 you say "what is more to the point, the quality of coal coming to the works has decidedly become poorer from 10 per cent. to 12 per cent. ash in the better grades of coal, then to 18 per cent. to 20 per cent. now in the same grades." Do you think that there is a worse deterioration in the quality of coal than has occurred generally throughout the coal industry in India?

Mr. Homi.—It is answered in the next line—"Certainly Indian coal could not have deteriorated that much and not that quick."

Mr. Mather.—You say that it could not have deteriorated. Suppose it did?

Mr. Homi.—I would be surprised.

Mr. Mather.—All the evidence we have is to the effect that it did. The quality of Indian coal did deteriorate and this deterioration was not peculiar to Tata's. The railways had trouble and all the other big users had trouble. The coal companies themselves admit that the quality of coal went down.

Mr. Homi.—Do you think that the same seams yielded a worse quality?

Mr. Mather.—Because of the difficulties of labour and wagon supply it was impossible to do proper screening and picking.

Mr. Homi.—Then it is not a defect in the coal itself; it is a sort of outside physical defect.

Mr. Mather.—We are not discussing the coal as it lies in the seam. The question we are discussing here is the quality of coal as it reaches consumers.

Mr. Homi.—My point was that there had been deterioration. It meant not in the fundamental quality of the seam and hence could have been averted by replacing with better grades.

Mr. Mather.—The fundamental quality could not be changed. The only thing that matters is the quality of the coal as it reaches the works and not as it lies under-ground. The point I want to make is that it was almost impossible to maintain the standard. Practically all large consumers of coal have complained ineffectually on that subject. The evidence from the coal industry suggests that Tata's could not have been expected to have avoided a serious deterioration.

Mr. Homi.—I should have been glad to have been the exception, if by personal efforts or any other means it could have been averted.

Mr. Mather.—The quality is improving again now. There was a considerable period in which—it is the unanimous opinion of the coal industry—the coal as delivered was poor in quality and at that time they could not have avoided it. To that extent Tata's appear to be in much the same position as other people. That of course rather covers your sentence at the end of para. 20 in which you say "The situation, though complex, is an apt subject for investigation—complete and serious—for the solution ought to be plain as it is simple." I am afraid that it has been neither plain nor simple for the collieries in Bengal and in Bihar and Orissa. It has been worrying them very seriously.

At the beginning of para. 22 you say that Tata's enjoy a greater control than any other concern in the world in the matter of supply and price of raw materials. This is a view which I cannot accept and I repeat that control over ores and other things is normal with big steel works and not exceptional.

In paragraph 25 again you have a reference to the curtailment of structural output. I have already dealt with this point.

In paragraph 26 you say "After the slump of 1921, which affected the world production and world consumption of steel, but which did not hit India nor the Tata's to any such extent." I think that it hit Tata's to the same extent at any rate in the extremely important matter of price. The price of steel went down almost as rapidly here as it did in other countries.

Mr. Homi.—The point was whether there was a drop in demand or in consumption. I have not referred to the price. The reference is about the stoppage of demand.

Mr. Mather.—You are referring to the necessity of some works closing down. To that extent, owing partly to their contracts, Tata's were in a better position.

Mr. Homi.—In America, at that time there was absolutely no demand from railways and so the works had to be shut down.

Mr. Mather.—From paragraph 28 onwards you begin to discuss the relative value of ore mines or ore concessions and you seem to think that Tata's have altogether an overwhelming advantage in the quality of their ore. You refer particularly as regards the British ores to the Frodingham Iron and Steel Company which had to remove 50 feet of cover to open a bed of ore 24 feet thick assaying only 22·65 per cent. iron. You have never been to the Frodingham Works, have you?

Mr. Homi.—No.

Mr. Mather.—I was there last summer and I took the opportunity of learning how that lean ore was used. That ore contains a large percentage of lime.

Mr. Homi.—Self-fluxing?

Mr. Mather.—It is more than self-fluxing. The consequence is that iron works in that district are able to bring in their ore from Northamptonshire perhaps 80 miles away with a higher content of iron and make a selt-fluxing mixture at a very small cost. Although the iron content is very much lower than Tata's hematites, on the whole it is comparatively an economical ore in these circumstances since they don't have to bring in limestone.

Mr. Homi.—The case of Frodingham's was cited to show the mining difficulties and the cost of raising the ore.

Mr. Mather.—I am not at all sure that the mining difficulties at Frodingham are seriously greater than those at Gurumaishini. The ore is practically on the works site and is in a very thick deposit and is easily worked. There are places in the ore fields where there is practically no cover to be removed. The ore is very thick and can be mined very economically. There is no transportation question.

Mr. Homi.—The last two lines in the same paragraph explain the situation.

Mr. Mather.—The British official mining report shows that the ores of Linconshire and Northampton could be raised at a cost of Rs. 1/10 per ton in 1913, but in 1922 the cost was Rs. 2-5. This will show that as regards the cost of raising the ore, Tata's have not got any fundamental advantage. As regards the quality, I certainly would not say that the English ore is as good, but the difference in value is by no means as big as the difference in iron content would suggest. Very much the same thing applies to the ores of Briey you refer to in paragraph 30. "The ores of Briey and surrounding regions in France assay about 33 per cent. iron." There are large deposits containing more than 33 per cent. iron—Standard Briey ore contains 36 per cent. There again it occurs in such big deposits and in such circumstances that before the war it could be raised under two rupees per ton. In most cases although the iron content is less its actual commercial value is more nearly equal to that of the hematite that occurs in Singhbhum than the iron content suggests, as it is self-fluxing.

In paragraph 31, you discuss the American iron ore. I was reading only recently the revision of the prices for the standard contract for the Mesaba ore in America. That contract is based on an iron content of 51·7 per cent. That in itself is enough to indicate that there are ores containing substantially more than 49 per cent.

Mr. Homi.—In the case of concentrated ores, they go to 66 per cent.

Mr. Mather.—You don't want to suggest that most of the American ores are concentrated?

Mr. Homi.—This is a new process coming in shape, as good ores are being exhausted out.

Mr. Mather.—Lower down, you say that most of these ores are lean and have to be concentrated.

Mr. Homi.—Most of the ores are lean. They work without concentrating.

Mr. Mather.—You say exactly the opposite—that most of the ores "are concentrated."

Mr. Homi.—They have to be concentrated.

Mr. Mather.—Perhaps they ought to be concentrated.

Mr. Homi.—"They have to be concentrated" and not "they are."

Mr. Mather.—In paragraph 32, you tell us that "as far as the situation of the Tata works is concerned, the position is unique in the world in that within a hundred miles as the crow flies they can lay their hands on most all they want." Can you tell me of any large works in England that has to go as far as 100 miles for raw materials except those which import from Spain or other countries, which many of them do not?

Mr. Homi.—If they do import, they are handicapped in that respect.

Mr. Mather.—You say that the situation is unique. The Frodingham Iron and Steel Company never imports any iron ore. It does not have to go far for its raw materials. Coal is within 80 miles and most of the ore is much nearer.

Mr. Homi.—We will not quarrel over grammar. It only shows the general situation.

Mr. Mather.—It is about the general situation I am rather anxious to be clear. Take the Frodingham Iron and Steel Company since you have mentioned it. It is one of the English works which exports a lot of steel to India and it is not in an unfavourable position with regard to its raw materials or shipping to anything like the extent that this paragraph of yours suggests.

Mr. Homi.—Do they not import ores from Spain?

Mr. Mather.—No. They are all English ores, the bulk of which are on the works site. Coal does not come more than 30 or 35 miles and the limestone is within 15 to 20 miles.

Mr. Homi.—Thank you for the information.

Mr. Mather.—We cannot accept the view that the position of Tata's is unique, and that Tata's, in comparison with their competitors, are more favourably situated as regards their raw materials in all cases. You go back again here to the details of the mining of this ore. You suggest that the mining of Tata's ore does not present any problem, being simple gulping down of whole hills. That, I think, is by no means the position. There was a time many years ago when they thought that that might be so. That is not the position now, and the mining of that ore is in many ways a more complicated problem than that of other large ore deposits in that the ore is scattered in lumps about the face of the hill and in the body of the hill it is not good.

Mr. Homi.—Do you refer to their new acquirements?

Mr. Mather.—We are talking for the moment about what they are actually working on, which is Gurumaishini.

Then in paragraph 36 you raise the question of Tata's reserves. I am not concerned with the number of years. It is obviously a matter of general policy, but you say that it prevents "further enterprise to the detriment of immediate industrial development." Do you think that has actually happened or is likely to happen in the near future?

Based only on the knowledge that I have been able to acquire in a perfectly general way, partly by visiting those ore fields and partly from publications of the Geological Survey and discussions with people of that kind, that there are enormous deposits of ore which have not been taken by any company. Each company interested in iron ore, including the two companies which have not started working at all, has got all the reserves that it wants and it is an exaggeration to say that Tata's are preventing further enterprise.

Mr. Homi.—It may be a general conclusion not necessarily based on facts. If one particular party monopolises the ore others would be out of count to that extent. If it reserves so much for itself it is only closing the doors to others.

Mr. Mather.—But if there is an enormous quantity elsewhere it is not a particular hardship to the other party.

Mr. Homi.—Not necessarily in any particular case.

Mr. Mather.—I mean you do not claim that "it has prevented."

Mr. Homi.—No.

Mr. Mather.—You might even go and say that there is no fear of that in the near future.

Mr. Homi.—I don't know.

Mr. Mather.—In paragraph 37 you give us the prices of American ores and the English ores. These prices are the market quotations of the ores, I presume, delivered at the blast furnace?

Mr. Homi.—Market quotations *plus* freight up to Pittsburgh Docks, not from the docks to the works.

Mr. Mather.—I had already before I received your statement been collecting information on this point. I do not suggest that the discrepancy in figures affects the argument very greatly, but at any rate I arrived at a lower figure than you have for American prices. The 1922 price for (Lake Superior) ore (51·5 per cent. iron) at Lower Lake ports was 5·05 dollars: freight to Pittsburgh 1·15 dollars. Total 6·20 dollars. This even at Rs. 3·3 per dollar is only Rs. 20-8 instead of Rs. 21-2 you have given, and at the par of exchange at which you were converting these figures (3·07) it would have come to Rs. 18-13 on the 1922 figures. However, I do not say that it affects comparison very greatly but I wanted to bring it to your notice. Similarly the only figure you have given for English ore is I presume for Hematite. It is not typical of the cost of ore used by British blast furnaces. It is considerably higher than the actual average cost to the furnaces. Then as regards coal, I do not know whether you have any particulars of the actual quality of coal which is covered by these American and English prices.

Mr. Homi.—No.

Mr. Mather.—But the presumption is that it is rather a better grade coal?

Mr. Homi.—I imagine so.

Mr. Mather.—I think the same would probably apply to the stone, by which you probably mean limestone.

Mr. Homi.—I meant Tata's dolomite and limestone.

Mr. Mather.—Tata's are under a handicap in this respect. These are the prices of limestone and in most cases so far as the blast furnaces are concerned the English, and probably American, limestone is of a higher grade. Theirs is rather a better grade than Tata's both as regards coal and limestone.

Mr. Homi.—Yes.

Mr. Mather.—In paragraph 38 you have given a table of labour increases. I take also the corrections that you have now made for 1918-19. You will agree that these rates are rather higher than what you have given.

Mr. Homi.—I will make Rs. 0-6-6 instead of 6 annas in 1920.

Mr. Mather.—I think it would be 7 annas or a little more, but we need not trouble. In paragraph 42 you have told us "that from 1914-22 we find that on an average each employee produces per year less than 5 tons on a rough estimate." Is that 5 tons of pig iron or 5 tons of finished steel?

Mr. Homi.—Finished steel.

Mr. Mather.—Do you make any allowance for the surplus pig iron that was made other than that actually used for steel?

Mr. Homi.—No. It is for the finished products only.

Mr. Mather.—All the surplus pig iron was not taken into account; to that extent it was not calculated on the same basis as the 53 tons for the United States Steel Corporation plant.

Mr. Homi.—The Steel Corporation never sells any pig iron.

Mr. Mather.—Exactly. There are other discrepancies in the comparison. I think you will agree with me that other Steel works do not have to employ a staff for town administration at any rate over the whole of their operation.

Mr. Homi.—Some of them—no; others do have their land and buildings Departments and their staff to count.

Mr. Mather.—So that Tata's pay for a number of employees who are non-productive as against steel producing employees: similarly men employed on the Greater Extensions.

Mr. Homi.—Men on the Greater Extensions have been eliminated.

Mr. Mather.—You have not eliminated them at all stages. That is why it is difficult to compare one figure with another. But to make our final figures which we shall be working on this basis, I have also turned up some of the Steel Corporation figures and I agree with your figure 53 tons

which includes transportation employees. The United States Steel Corporation figure for 1922 after eliminating transportation employees was 61 tons per man. A little lower down in the same paragraph you say "It has recently been officially announced that in the steel works of America about 20 per cent. of the employees work 12 hours shifts but these men could hardly exceed 5 per cent. of the total employees." Do you know whether it includes blast furnace men?

Mr. Homi.—Part of them.

Mr. Mather.—I cannot make that coincide with your next line, which suggests that the Iron and Steel Companies in America only employ about ¼ of their whole staff of the steel works or the blast furnace.

Mr. Homi.—Take for example the men working on the tressle and the ore bins; they do not work 12 hours shift.

Mr. Mather.—You say that 20 per cent. of these men work 12 hours shifts?

Mr. Homi.—Yes. In that men are included who are really needed in the operation, first and second smelters, blast furnace men and so on.

Mr. Mather.—It is very difficult to make much use of it without any accurate definition of the class of labour. Doubtless you know that the 12 hours day has been abandoned now in the United States.

Mr. Homi.—Most of the companies have started 8 hours day.

Mr. Mather.—In paragraph 45 you say "Comparing these figures with those at Jamshedpur and leaving out of account those employed at mines and quarries, we find the average figure of 9·08 tons per man per year for the last three years and lesser still from 1914 onwards," and a little lower down you say "that you have made allowance for the 8 hour shift worked, as also for the handloading of coke and sand casting and loading of pig iron." How did you calculate that?

Mr. Homi.—I took the total tonnage of pig iron produced and subtracted from it the pig iron used in the open hearth furnace and converted the remaining pig into steel as well.

Mr. Mather.—Assuming that it was all converted into steel? What figure did you divide it by?

Mr. Homi.—By the labour in the works alone, excluding Greater Extensions.

Mr. Mather.—In paragraph 46 you give us the output of a steel plant with an average total force of 813 men at the works and producing approximately 2,000 tons of sheet bars and billets per day. I do not suppose you would contend that any of Tatas' mills could be expected to get the same output per day as a modern mill.

Mr. Homi.—They have their 40" blooming mills.

Mr. Mather.—When was this American plant constructed? It is probably a recent one.

Mr. Homi.—I do not know. I think it is an old plant.

Mr. Mather.—It is an old company and an old mill?

Mr. Homi.—Yes.

Mr. Mather.—In paragraph 48 you give us the production and the number of men employed in the various American works and Tata's for comparison. You give a production of 150,000 tons.

Mr. Homi.—This is not necessarily actual production. That is taken as a lump figure. The number of men employed is according to my calculation 29,204 though 26,173 is taken from the company's reports.

Mr. Mather.—Where are these men working?

Mr. Homi.—On the plant.

Mr. Mather.—Including the Greater Extensions?

Mr. Homi.—Yes.

Mr. Mather.—Do you think it is a fair comparison? So far as my general information goes, the number of men on the whole of the operation department is not more than half of that. About half the men work at Jamshedpur on the Greater Extensions.

Mr. Homi.—You mean including the cooly labour, contractors' labour?

Mr. Mather.—Yes.

Mr. Homi.—But this does not take the contractors' labour into account.

Mr. Mather.—It is a much higher labour figure than I have ever seen.

Mr. Homi.—The figure 26,000 given in the company's report excludes contractors' labour.

Mr. Mather.—But that includes Greater Extensions.

Mr. Homi.—Yes. There is a difference of 3,000 here.

Mr. Mather.—That 26,000 is a rough approximation. At any rate I think that about only one half are employed on the whole plant on the actual production out of this 26,000 that you have given here.

Mr. Homi.—My information is that there are only 3 to 4 thousand men employed on the Greater Extensions.

Mr. Mather.—I think the comparison is very much exaggerated. We shall get accurate figures about that.

Mr. Homi.—So far as I remember it is 3,800 or somewhat more.†

Mr. Mather.—In para. 49 I am not entirely clear about the meaning. Am I right in understanding you to mean that the pay of the common labour for 24 hours is equal to the cost of one ton of something?

Mr. Homi.—One ton of finished product.

Mr. Mather.—Of course your figure for Tata's would depend entirely on the accuracy of the total labour employed.

Mr. Homi.—Should probably be revised. May be crossed out.

Mr. Mather.—In para. 50 you say that 5 months' supply must be stocked and picked up again in the worst season of the year. What is that supply exactly?

Mr. Homi.—Supply of ores and raw materials.

Mr. Mather.—That is exactly the point which I want to be sure about. I can understand that so far as Lake Superior ore is concerned. But so far as it comes from other districts they do not have that particular difficulty.

Mr. Homi.—They may then suffer in point of coal. Coal also comes through rivers.

Mr. Mather.—It is quite possible that there are some interruptions.

Mr. Homi.—In the winter months.

Mr. Mather.—Just as there are interruptions here during the monsoon, but you would not suggest that this stocking of 5 months' requirements applies equally to the coal and limestone as it does to ore.

Mr. Homi.—Coal and ore mostly: they come from the Lake ports to Pittsburgh district.

Mr. Mather.—Works in the Pittsburgh district do not get their coal from ports.

Mr. Homi.—This comes through different rivers in barges.

Mr. Mather.—For how long will this difficulty continue in the year?

Mr. Homi.—From about end of November to about February or March. It depends on actual weather conditions. Sometimes the ice has to be broken by dynamiting it.

Mr. Mather.—They stock it up because railway freight is prohibitive?

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† Note added by witness, when correcting the record "mistaken for 1920 figures."

Mr. Homi.—Yes. They do it. They cannot stop the works.

Mr. Mather.—You tell us in para. 51 " I have the word of the Company's Consulting Engineer and from my own personal observation and contact I can vouch that our native labour, if not actually superior, is at least the equivalent of the various emigrant labour that come to the United States." Again at some later stage (in para. 54) on the same subject you say it should not be necessary to employ more than 2 men in India where one would have been sufficient in America. Do you know whether there are any other big industries in India requiring heavy manual work which have succeeded in reducing their labour requirements to that level?

Mr. Homi.—I am referring only to Tata's and my experience of these works compared to other works in America. That is my opinion. I have not studied other industries.

Mr. Mather.—I think that, if you study other industries, you will find that wherever heavy manual labour is required the number of men employed is very much greater, 4, 5 or 6 times than the number employed in similar works in other countries. Suppose you have got that in other industries do you think that there is possibly some justification in Tata's employing so many?

Mr. Homi.—The more men you employ the greater is the inefficiency.

Mr. Mather.—Nobody would question the desirability of reducing the number, but we know that in actual practice Tata's have not succeeded in reducing the number of men to twice the number of men employed in Europe. If other industries also requiring heavy manual labour had succeeded in reducing the number of men required to this level then *prima facie* one would think that Tata's ought to be able to do it. But if it happens that all industries in India employ more men it would be a reasonable presumption that the Indian labourer at present cannot do this heavy labour as efficiently as in America and Europe.

Mr. Homi.—If this is the view you take on the question, I may be permitted to say that I do not bind myself to that opinion. It might be then presumed that similar conditions exist there the same as at Tata's

Mr. Mather.—Can you tell us that other industries have been able to reduce labour in the way you think Tata's ought to do?

Mr. Homi.—I have no idea of other industries and I cannot tell you

Mr. Mather.—Towards the end of para. 51 you tell us about the number of women employed in loading coke and you say " that these ovens produce on an average less than 549 tons of coke a day......".

Mr. Homi.—This should be 540 tons and includes non-recovery ovens coke only—those four batteries of non-recovery ovens.

Mr. Mather.—Is it exactly same number of ovens that employ these 325 women or are they employed in all ovens?

Mr. Homi.—All the Evence-Coppee ovens?

Mr. Mather.—You say that they have to carry it five to ten ft. away to the wagon. My idea was that it was about 5 times as much.

Mr. Homi.—The bank could not be very broad from which coke is hauled up.

Mr. Mather.—It would be about 50 ft. My estimate would therefore be 5 times yours.

Mr. Homi.—To haul up coke right into the wagons I take it will be 20 ft.

Mr. Mather.—I think you are rather under-estimating.

Do you claim that these women do not take more than 3 or 4 steps with their coke to get it into the wagon?

Mr. Homi.—It is not a question of taking steps but a question of baskets. My point is this that we are not getting enough work out of these people. We allow them sufficient leisure to do their work. They can afford to do it because there are so many of them.

Mr. Mather.—What the Board is anxious to know is how far they can accept your figures as being reliable, and if you tell us that these women have to carry the coke only 5 to 10 ft., I doubt the accuracy of the figures.

Mr. Homi.—Suppose the bank is 20 ft. broad?

Mr. Mather.—Your general argument still remains. We cannot however go and say that these women only carry 10 to 20 ft. unless we are sure of it.

Mr. Homi.—When the coke comes out it occupies almost half the bank and that eliminates half the width of the bank.

Mr. Mather.—In paragraph 54 you have discussed the question of labour and you say that the workmen in India work only eight hours as against their 12 elsewhere. This 12 hours work has been abandoned for some years in Europe and is now being abandoned in America also.

Mr. Homi.—Yes.

Mr. Mather.—At the bottom of page 13 you give us a long table of the cost of producing coke, pig iron and so on in the United States, these costs being divided between labour and "all other costs." Can you tell me exactly what "all other costs" are?

Mr. Homi.—Cost of services.

Mr. Mather.—Every firm has a different idea of what should be included in things of that kind.

Mr. Homi.—I will tell you. That includes materials in repairs and maintenance, steam, water, electric power, yard switching, contingent fund, relining fund and so on.

Mr. Mather.—Not depreciation?

Mr. Homi.—No depreciation, no interest, no insurance.

Mr. Mather.—In paragraph 65 on page 17 in discussing these other costs you say "Some of the supplies at Jamshedpur do cost more than in America, others again cost less but when we consider that a considerable proportion of these "other costs" is really due to labour......". Can you tell us of any important class of supply which would cost less in Jamshedpur than they would be expected to cost in other countries?

Mr. Homi.—Yes, labour supply upon the steam and power generation and other purposes. Steam is one of the items and then there are laboratory expenses. We get our chemists here cheaper than in other countries. This goes with other costs.

Mr. Mather.—Anything else?

Mr. Homi.—Accounting, shops and so on.

Mr. Mather—You say in paragraph 67 "Very few plants in America of the size and capacity as the Tata Iron and Steel Company Works would go for a General Manager and his establishment charges over and above a General Superintendent and his staff." I can only say to that that I have seen Steel works in every important steel producing country in Europe and I have never known of works of that size with only a General Superintendent.

Mr. Homi.—I have mentioned about America. Take, for instance, the United States Steel Corporation. They are all in charge of General Superintendents. There is no General Manager. The rest are all Superintendents of departments.

Mr. Mather.—Each company in the Corporation has a Superintendent.

Mr. Homi.—There are various sections of a particular shop. Take Open Hearth, for instance. A person appointed in charge of a shop may go as Superintendent and above him there is a General Superintendent for Open Hearth or such shops.

Mr. Mather.—You will agree that every large steel producing company has a General Manager.

Mr. Homi.—I beg your pardon. It is the Board that works it and the works is represented by the General Superintendent. There is no General Manager for the whole company.

Mr. Mather.—That is certainly the case with most of Tatas' competitors. What you say may be the case in America.

Then you tell us "No plants however big keep half a dozen General Master mechanics, floating engineers of all sorts and conditions." Do you imply by that that Tatas employ half a dozen master mechanics?

Mr. Homi.—We have at the Jamshedpur plant about half a dozen in round figures.

President.—Why mention half a dozen if it is not accurate?

Mr. Homi.—That is what is called in general terms.

President.—The clear implication in this instance is that Tatas' have got a certain staff at Jamshedpur which is unnecessary. If you mention the figure as half a dozen surely we must take that to mean that there are half a dozen.

Mr. Homi.—If you take General Master mechanics alone it will be less.

President.—Then there are only two or three floating engineers. That is included in the half a dozen.

Mr. Mather.—"Engineers of all sorts" may be half a dozen and more. At the bottom of paragraph 71 you refer to a wonderfully equipped machine shop. That I take it is the newest of the machine shops.

Mr. Homi.—No. 2 machine shop.

Mr. Mather.—You refer to that in a way that suggests that it is occupied chiefly in doing repairs and maintenance of the plants in operation but in actual practice you will find that the machine shop is devoted almost exclusively to new construction, in making plant, etc., for the Greater Extensions.

Mr. Homi.—And after it is built—after the Greater Extensions are complete—I do not know to what purpose it will be devoted.

Mr. Mather.—You do not know and I do not know. That will be for the Directors to settle. We cannot prophesy: they may find some work for it.

President.—The implication in the first sentence is that it is diverted to another purpose.

Mr. Mather.—You do not regard the manufacture of new plant for the Greater Extensions as being repairs and renewals?

President.—Nor is the construction of the Greater Extensions due to somebody's neglect or oversight?

Mr. Homi.—The Greater Extensions have come into existence since then. Prior to that, for the previous three or four years they were only doing repairs and renewals.

Mr. Mather.—When was this machine shop completed and equipped with these machinery? Is it only since the Greater extensions started?

Mr. Homi.—Yes.

Mr. Mather.—It would not be correct to imply that these machine and blacksmiths' shops are monopolised on the repairs and renewals.

Mr. Mather.—The same criticism would apply to your figures in paragraph 73 about the number of locomotives. It is inevitable that the number of locomotives should be greater in a Works building such large extensions as Tata's are doing as otherwise materials cannot be brought to the site quickly.

Mr. Homi.—I have seen works in operation of the size of a plant of that kind, having only a fraction of that number.

Mr. Mather.—Do you want to imply that 22 locomotives were occupied on the operations department only?

Mr. Homi.—I say that in my opinion 22 locomotives, even considering the necessities of the Greater Extensions, are entirely too high.

Mr. Ginwala.—Even for the construction?

Mr. Homi.—Yes, as you will see in the lines following "Up to the end of 1919 there were just seven engines on the job and a Plate Mill, new Coke ovens, and Duplex plant are amongst all the new additions with a Tinplate and a couple of subsidiaries on the go. Surely that does not need 15 locomotives."

Mr. Mather.—At any rate some considerable increase is obviously necessary. Then in paragraph 74 you say "the open hearth furnaces need an overhaul practically every month." It is one of my duties when I am at my ordinary work to keep a record of the production of all steel made by Tata's and my records do not indicate the need for this overhauling every month at all.

Mr. Homi.—Overhaul does not necessarily mean complete overhauling. It includes everyday overhaul as well as complete overhaul.

Mr. Mather.—In that case you might have said overhaul at the end of every heat.

Mr. Homi.—That would not come under overhaul.

Mr. Mather.—Now, in paragraph 79 you tell us that the United States Steel Corporation uses 4,046 lbs. of approximately 49-50 per cent. iron ore to make a ton of pig iron; that is the average for the last 15 years. That would be equivalent to 2,023 lbs. of pure iron?

Mr. Homi.—Yes.

Mr. Mather.—Can you tell me how many pounds of iron there are in one ton of the Corporation pig iron?

Mr. Homi.—It is measured by the long ton.

Mr. Mather.—But how many tons of pure iron are there in the Corporation pig?

Mr. Homi.—That depends on how much of silicon, sulphur and other constituents there are.

Mr. Mather.—Can you tell us what that is?

Mr. Homi.—I cannot tell you off-hand.

Mr. Mather.—Will you accept from me that it cannot be more than 7 per cent.?

Mr. Homi.—About that, I think.

Mr. Mather.—This ore consumption that you mention cannot give more than about 90·3 per cent. of pure iron in the pig iron. Where does the Corporation get the other iron from?

Mr. Homi.—From scrap.

Mr. Mather.—Do you think it is an accurate comparison to put these figures of the Steel Corporation against the figures of other companies without stating in each case how much scrap is used?

Mr. Homi.—I can give you that for the Corporation.*

Mr. Mather.—I shall be glad if you would. Is there anything to support, as the figures stand, that the Tata Co. are using more ore than is necessary?

Mr. Homi.—I will give you that.†

Mr. Mather.—In paragraph 80 on the question of coke consumption, you give us some American figures for the consumption of coke in furnaces using coke with 10, 12 and 14 per cent. ash content and then you say "Granted the Tata coke contains 8 to 10 per cent. more ash than the American coke and therefore 8 to 10 per cent. more fuel is needed." But surely you are aware that very much more than 8 to 10 per cent. fuel will be required if there is 8 to 10 per cent. more ash.

Mr. Homi.—In this case I had the opinion of various persons who have had considerable experience of the blast furnaces.

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*Not received.

† Statement IV (3).

Mr. Mather.—But no blast furnace man would agree to that. It would require much greater extra consumption of coke per ton of pig, as that additional ash has to be fluxed and heated.

Mr. Homi.—It all depends upon the practice.

Mr. Mather.—It does not depend upon practice. It all depends upon the inevitable necessity of the reactions in the furnace for the production of pig iron.

Mr. Homi.—If you are going on the same basis that it would need much more, I may cite the case of one of the companies and you will then see whether their figures entirely tally with these figures or not.

Mr. Mather.—That is not the point at all. You convey an impression that because Indian coke contains 8 to 10 per cent. more ash than the American coke you refer to, therefore only 8 to 10 per cent. more fuel will be required to make a ton of pig iron all other things being equal. That I say is a serious fallacy.

Mr. Homi.—That may be a matter of opinion. If you alter your furnace and change your other conditions you may manage.

Mr. Mather.—You still adhere to the opinion you have expressed?

Mr. Homi.—I do.

Mr. Mather.—That other things being equal if one coke contains 10 per cent. more ash than another, you will require 10 per cent. more fuel?

Mr. Homi.—I adhere to my opinion.

Mr. Mather.—All I can say is that I cannot give it any support whatever and I have never come across any experienced blast furnace man who would.

Mr. Homi.—I am supported in my information by the Tata Co.'s figures themselves.

Mr. Mather.—That is not to the point as it introduces new factors. In paragraph 81 you admit that more flux is required, due to the greater ash in coke and then you go on to say "This once more emphasizes the necessity of selecting the best grade of coal, which ought not to be a difficult matter in that they buy their supply in the market and when a good price is paid (Rs. 9) a very good quality has to be secured." Do you think you can go into the market and buy better coal?

Mr. Homi.—I have never tried it.

Mr. Mather.—Do you think that if you went to any of the coal owners in Bengal or Bihar and told them you were paying Rs. 9 per ton, they would give you better quality?

Mr. Homi.—This goes as a corollary to the other one in which I have mentioned that Indian coal could not have deteriorated to the extent alleged and if it had not deteriorated and good quality is available, there is no reason why it could not be had.

Mr. Mather.—But if we admit that there has been a general deterioration in the quality of coal, then you will agree that this drops out for the time being?

Mr. Homi.—I can't say: I have no experience of coal mines in India.

Mr. Mather.—In paragraph 84 you tell us that some of the steel men in America laugh at the idea of 500 men employed per furnace at Jamshedpur. Has any of these men had any experience of Indian conditions?

Mr. Homi.—No, they judged by the results and that is how I would have done.

Mr. Mather.—In paragraph 94 you tell us "It is the place that eats up most of what would otherwise be dividends and it is the very department that has proved the ruin of companies that preceded the Tatas." This I think is the department that you are most critical of: it gives the best scope for improvement?

Mr. Homi.—Yes.

Mr. Mather.—But this statement of yours indicates that in your opinion it is likely to be the most difficult department to run. Have you any kind of evidence that this particular department, and not other things, proved the ruin of the companies?

Mr. Homi.—The Bengal Iron and Steel Co. had a steel department and it shut down because it could not produce steel cheaply: it had all sorts of difficulties.

Mr. Mather.—Were they specially open hearth difficulties?

Mr. Homi.—Most of them. So far as my impression is from reading the history of these companies and hearing lectures read by the late Assistant Government Chemist at Jamshedpur, Mr. A. K. Bose—he is dead now—that was published by some Society in England, and there it was expressly mentioned that it was the open hearth that proved their ruin.

Mr. Mather.—If we accept that as the greatest difficulty, then that rather indicates that it is a particularly difficult department to run in India at any rate. If a completely separate Company, not connected in any way with the Tata Co., also found that it was particularly difficult, doesn't that indicate that?

Mr. Homi.—Probably their conditions were then the same as Tata's conditions, but that is not necessarily so.

Mr. Mather.—It does rather indicate that it is a very difficult problem to deal with in India. I don't say that the difficulties cannot be got over.

Mr. Homi.—Yes, that is true.

Mr. Mather.—In paragraph 95--would you mind making clear just exactly what these 'spreads' are?

Mr. Homi.—Conversion costs.

Mr. Mather.—Your point is that the difference between the works cost of one ton of pig iron and the works cost of one ton of ingots (*billets*) used to be $5 in America.

Mr. Homi.—The "spreads" are now placed at about $10.

Mr. Mather.—In paragraph 99 you give us the average of 4,291 tons per furnace per month for one American plant or a group of plants.

Mr. Homi.—Group of two plants.

Mr. Mather.—What kind of steel were they making?

Mr. Homi.—Rail steel as well as structural steel.

Mr. Mather.—What kind of pig iron were they using?

Mr. Homi.—They were using pig iron from their own blast furnaces.

Mr. Mather.—How much phosphorus, do you know?

Mr. Homi.—About ·25 to ·30.

Mr. Mather.—In paragraph 100 you express an opinion which is repeated again at a later stage that the practice at Jamshedpur is more calculated to increase than retard or lower the production. You seem to imply that with 75 to 80 per cent. pig iron and the remainder scrap, they should be able to make their steel more quickly. Have not the American furnaces used more scrap?

Mr. Homi.—More scrap and cold pig.

Mr. Mather.—You have never mentioned cold pig.

Mr. Homi.—This American percentage of 45 to 50 includes both cold pig and scrap. It does not entirely mean cold scrap.

Mr. Mather.—If they have enough pig iron it must be so, but that is not the normal thing.

You have mentioned in paragraph 102 that "The Brier Hill plant of seven furnaces averaged per month an output of 30,000 tons or 4,285 tons per furnace and with 12 furnaces running they made not less than 50,000 tons per furnace, but their practice was with an average of 50-50 mix of hot metal to cold scrap and pig." That does not mean at all that all the pig iron is cold.

Mr. Homi.—No, it does not necessarily mean all cold pig.

Mr. Mather.—Do you think that Tata's, with 75 to 80 per cent. hot metal, ought to be able to make steel more quickly than the Brier Hill plant with 50 per cent?

Mr. Homi.—That is my contention

Mr. Mather.—It is your contention that Tata's were in a specially good position to make steel rapidly in their open hearth furnaces?

Mr. Homi.—Yes.

Mr. Mather.—Do you know on the whole where the most rapid open hearth practice is?

Mr. Homi.—I have no experience outside of America.

Mr. Mather.—Don't you think that is rather a limitation if you have no experience of practice outside America in criticizing details of that kind?

Mr. Homi.—Not necessarily.

Mr. Mather.—I take it you have no prolonged experience of your own in open hearth practice?

Mr. Homi.—During my stay at Jamshedpur on the gas producer plant I had ample opportunities of learning the open hearth practice.

Mr. Mather.—Had you ample opportunities of learning how far these conditions are a handicap or an advantage?

Mr. Homi.—I devoted my time in the open hearth furnaces in America too, and am comparing these two.

Mr. Mather.—Do you think that the Tata Co. have an advantage in using 75 per cent. of pig iron against these American plants which are using 50 per cent?

Mr. Homi.—Yes, because that means so much time less in smelting.

Mr. Mather.—But it means more extra time in removing impurities. Steel is most rapidly manufactured in the basic open hearth plants in Belgium, Lorraine and Germany, where they use on the average only 25 per cent. of pig and 75 per cent. cold scrap, and they make steel there more rapidly than they do in America.

Mr. Homi.—With this 75 per cent. of cold scrap they don't have to remove impurities, but the natural consequence is that it takes more time to smelt the scrap.

Mr. Mather.—The time saved by not having to melt the scrap is more than lost by having to remove the impurities.

Mr. Homi.—That has to be found in practice as to how much impurities are in Tata's pig and in what quantity.

Mr. Mather.—That has been found. All these are known facts and I put it to you that no open hearth man who has experience of different conditions in America would give an opinion that the Tata Co. have an advantage in having to use 75 per cent. of pig iron. It is a drawback.

Mr. Homi.—My contention is substantiated by the number of hours required for doing the heats at the plant. I have seen at Jamshedpur heats tapped out in 5, 6 or 8 hours and that is generally quicker time than it takes in America.

Mr. Mather.—That is not a shorter time than the normal practice in some countries.

Mr. Homi.—It all depends upon the amount of impurities to be removed.

Mr. Mather.—And it is exactly that point that makes your contention that Tata's have an advantage by using 75 per cent. pig iron a fallacy.

In paragraph 111 you refer to Tata's consumption of ferro manganese in the open hearth department. You tell us that 15 lbs. of ferro manganese would be a very fair amount.

Mr. Homi.—Yes.

Mr. Mather.—On what basis do you say that?

Mr. Homi.—By looking to the amount of manganese that is needed in the different specifications of the steel.

Mr. Mather.—Will you tell us how much is needed in different specifications?

Mr. Homi.—It all depends on whether it is rail steel or structural steel.

Mr. Mather.—Well, as I am responsible for most of these specifications, I am in a position to tell you that even assuming that the whole of the manganese contained in the ferro-menganese remained in the steel, which does not happen in any steel works, 15 lbs. of ferro-manganese would not put in enough manganese to bring the steel within the specification.

Mr. Homi.—I am open to correction in that respect. But you will agree that 30 to 35 lbs. is rather too high.

Mr. Mather.—I express no opinion. In paragraph 117 there is a rather interesting remark. You say "The late Superintendent used to say that he had signed more requisition slips and works orders in a month at Jamshedpur than he had ever done in Gary with twice the number of furnaces in a single shop." Why did he sign these requisition slips? Is it because his own open hearth furnaces required repairs for which these articles were to be used?

Mr. Homi.—Yes.

Mr. Mather.—May I suggest that if that is so, does not that rather indicate that Indian labour is not nearly as efficient as in other countries and that he could not train his men as quickly as he expected to?

Mr. Homi.—He was there for only 3 years. When a new man comes he has to get in touch with Indian conditions and by the time he settles down he finds that his contract is over and as there is no chance of a renewal he does not give particular attention to how things go on.

Mr. Mather.—This may be as much a reflection on the Superintendent as on the system.

Mr. Homi.—And yet, I may be permitted to say, this Superintendent made more steel than anyone else. I shall read a letter from that Superintendent.

President.—Please let us know what it is you wish to read.

Mr. Homi.—His attitude about the situation.

President.—Is it a private letter from him?

Mr. Homi.—Yes.

President.—Have you got his permission to read it?

Mr. Homi.—These are replies to certain of my questions about the Iron and Steel Works.

President.—For what purpose are you putting that in?

Mr. Homi.—In order to show the difficulty about the Tata's works. If there is a constant change of men there is no tendency or inclination on the part of the men to look to the interests of the works.

Mr. Ginwala.—Who is the man?

Mr. Homi.—The late Superintendent of the Open Hearth Furnace.

President.—You want to give that letter informally.

Mr. Homi.—Yes.

President.—I don't know whether it is admissible. In order to prove the existence of a certain state of things at Jamshedpur, you want to place before the Board a letter which you have received from a former employee of the company?

Mr. Homi.—Yes.

President.—I don't think that it is a reasonable way of doing it.

Mr. Homi.—This is just a remark, *inter alia*.

President.—If you would send us a copy of that letter, we will see whether we can admit it, but I am not prepared to admit it at this stage.

Mr Homi.—All right.

Mr. Mather.—There should not be any difficulty in the way of meeting my point. I do not know the gentleman you refer to here.

Mr. Homi.—He left in 1918.

Mr. Mather.—The feeling that I had when I read this paragraph was this: that if a Superintendent who had proved his efficiency in an American plant still found it necessary after being in Jamshedpur to do things which meant quite a large expenditure of money on repairs—if a really efficient open hearth man found that necessary, is not that an indication that there are very serious difficulties in the way of reaching the same standard of efficiency in India as in America? If it was possible to reach the same standard in the open hearth department, presumably this gentleman would have done it.

Mr. Homi.—He could not do it in three years' time which is the contract time.

Mr. Ginwala.—How long would that take?

Mr. Homi.—If a man is limited up to three years, he does not care very much for the whole thing.

Mr. Mather.—That implies that the Superintendent himself did not care to do the work with zeal.

Mr. Homi.—I make no reflection on anybody. I only point out that if a man remains only for three years he does not devote the best of his ability. The company is not benefited in any way from the best of such abilities.

Mr. Mather.—If you are justified in making such an imputation, that would seem to be a natural disadvantage which Indian steel companies would suffer from, so long as it was necessary to bring men from outside for the open hearth department.

Mr. Homi.—The state of affairs can be readily and quickly remedied.

Mr. Mather.—In paragraph 118 you say that Oxygen gas is used as a matter of routine in opening the tap holes of the furnaces. Up to what time was that statement correct?

Mr. Homi.—Up to 1919.

Mr. Mather.—In that case, probably you will be pleased to hear that it is no longer a routine.

Mr. Homi.—It is very much to be desired.

President.—Do you think that you are justified in saying that Oxygen gas is used as a matter of routine when all the evidence you have had is as far back as 1919?

Mr. Homi.—It all depends on how you take that "it is a matter of routine."

President.—Do you think that that statement of fact is justified by the information you had?

Mr. Homi.—I do, in the light of information I had.

President.—You have told us that your own personal experience was up to 1919.

Mr. Homi.—It was entirely a matter of routine up to 1919. At the present time though it has varied, it still is a matter of routine when compared with other plants.

President.—What other plants? I understood you to say distinctly to Mr. Mather that you knew that this state of things existed up to 1919.

Mr. Mather.—Do you think that it still continues?

Mr. Homi.—It may not be to that extent, but certainly it is greater when compared with the plants in America.

President.—Your statement is that it is a matter of routine. Do you adhere to that view?

Mr. Homi.—I am prepared to modify that in the light of Mr. Mather's statement. Up to 1919 it was a matter of routine for every heat, but that it is no more so. The information on which my contention was based was that it might not be to that particular extent, but it is still used to such an extent that it is regarded as routine when compared with what obtains in the case of other plants.

Mr. Mather.—I did not state that it was a matter of routine up to 1919.

Mr. Ginwala.—What is the percentage in America?

Mr. Homi.—Seldom, if ever, they use it.

Mr. Mather.—In my opinion at the present time, it is not a matter of routine.

In paragraph 119 you discuss the use of silica and fire bricks which were formerly imported from Europe and Japan and never obtained in India. You tell us that the costs of these, presumably per ton of ingots made, have increased enormously. Does it not occur to you that this may be inevitable? You cannot expect to get silica bricks at the same price as in 1916.

Mr. Homi.—No. The question is proportion.

Mr. Mather.—At any rate that accounts for a great proportion of the rise.

Mr. Homi.—It has relation to the relining fund that I was talking about

Mr. Mather.—Another item to be borne in mind in connection with silica and fire bricks is this: that during the war it became extremely difficult, if not quite impossible, for Tata's to import fire bricks and silica bricks and they tried to get them made in India. For a time they were not able to obtain bricks of the quality they desired, but now I have reason to believe that the quality of the bricks is satisfactory. So it necessarily meant greater expense to the people who used them.

Mr. Homi.—I am taking the business point of view. When they found that the bricks that were made here did not come up to their standard, they should have bought from outside and they had ample opportunities of buying them from outside.

Mr. Mather.—During the war, they had not.

Mr. Homi.—From 1919 onwards, I believe there were ample opportunities.

Mr. Mather.—There were many aspects to the business point of view. It might be necessary, once having started the making of fire bricks, to continue at any rate as long as there was any hope of giving reasonable satisfaction, which has, I understand, now been achieved. It is quite possible that these two factors may account for the greater part of the rise that has taken place in the expenditure on these articles per ton of ingots.

Oral evidence of Mr. HOMI, B.A., LL.B., recorded at Bombay on Tuesday, the 20th November 1923.

Mr. Homi.—Yesterday in paragraph 48 about Tata's labour, the figure quoted by me is the number of employees on the muster rolls and the number of presentees would be considerably less; also some of them would be working on the Greater Extensions.

Mr. Mather.—Yes, part of them.

Mr. Homi.—Then in paragraph 67 where there is a mention of half a dozen Master Mechanics, floating Engineers of all sorts and conditions, I find that the number of these engineers is still the same as I have mentioned. There are six Master Mechanics *plus* Engineers.

Mr. Mather.—Yes.

Mr. Homi.—About the coke consumption, I have given the subject my deep consideration and I am satisfied in my argument in which I am borne out by the company's results. I think that the consumption of fuel can be well circumscribed to considerably less than what obtains at present.

Mr. Mather.—Whether Tata's consumption of coke could by any method be reduced was not the criticism I was making on your remarks. My point was this. If one coke contains 10 per cent. more ash than another, it must be used to the extent of more than an extra 10 per cent. per ton of pig iron on account of the extra ash, other things being equal. Your statement is that if the difference in ash content is 8 to 10 per cent. more, then only 10 per cent. more fuel is needed. That is the statement I cannot accept.

Mr. Homi.—It is susceptible of being brought down.

Mr. Mather.—For other reasons which I was not discussing.

Mr. Homi.—I see that, now.

Mr. Mather.—I cannot accept your original statement. There is another point to be borne in mind in connection with the comparison of coke consumption at Tata's Works and at other works. You have not given us any details, but I presume that the pig iron made at these other works is very largely or almost entirely basic pig and that pig iron is used for steel making.

Mr. Homi.—Mostly.

Mr. Mather.—The majority of Tata's pig iron is basic pig iron, but they have been making very much more foundry iron than most steel works. Ordinarily the manufacture of foundry iron inevitably requires more coke per ton than pig iron. Does it not occur to you that it may possibly account for some of the excess consumption?

Mr. Homi.—I make no comment at this stage, beyond what I have said.

Mr. Mather.—In paragraph 120, you say at the end "I have seen plants with 14 and 7 furnaces, for instance, working with 2 and 3 cranes respectively." Presumably, the figures have to be reversed into 3 and 2.

Mr. Homi.—Yes.

Mr. Mather.—They are entirely on the pit side?

Mr. Homi.—Yes.

Mr. Mather.—In paragraph 121 you give us some labour costs per ton of ingots. Can you tell us what classes of labour these American figures cover?

Mr. Homi.—All labour.

Mr. Mather.—Including gas producer labour?

Mr. Homi.—Yes

Mr. Mather.—Are you sure they do?

Mr. Homi.—(Looking at some papers) No. They include all productive labour as well as Labour in repairs and maintenance.

Mr. Mather.—But not gas producer labour?

Mr. Homi.—I don't think that they have made any separate classification of that. I presume that goes in the item of fuel.

Mr. Mather.—In paragraph 124 you discuss the method of payment to the covenanted hands in the Open Hearth Department and you tell us that "you have noted men willing to sign on tonnage basis with a certain minimum guaranteed yearly." Is not that almost exactly how Tata's system of payment works out—that each man gets a minimum monthly payment and on the top of that he gets a bonus calculated on the tonnage output of the department? It does not differ in any important respect from the system you have mentioned here.

Mr. Homi.—It would come to considerably less than the rate that is fixed.

Mr. Mather.—As far as the system is concerned—we are simply discussing the system—it is essentially the same.

Mr. Homi.—Not necessarily, suppose in those cases I have mentioned tonnage basis was fixed: It might amount in the 1st month to say less than what a man is entitled to get. In that case he would have to work extra hard next month. It would be an inducement for him to work hard rather than wait till the end of the year.

Mr. Mather.—You mean instead of a monthly minimum, there should be a yearly minimum?

Mr. Homi.—Yes.

Mr. Mather.—The difference is not really very important whether the minimum is paid on a monthly basis or an annual basis.

Mr. Homi.—I think that it would conduce to better results.

Mr. Mather.—In its essential features the system you advocate is very similar to the system that has actually been adopted.

In paragraph 126 you say "At Jamshedpur, whether they make good steel, bad steel or any steel, they get paid all the same." I cannot accept that as correct; so far as my experience with the Company's steel-making goes, men are not paid for any bad steel that they may make.

Mr. Homi.—My point is whether they make good steel or not, there is a fixed guaranteed salary per month.

Mr. Mather.—That fixed sum is not in any case a sufficient inducement for men to come out.

Mr. Homi.—There is a difference of opinion.

Mr. Mather.—You may have a different opinion. Even the Company would not claim anything to support that, as far as I have seen.

Mr. Homi.—In case there is a break-out in a furnace, the men in America would not be paid anything for that, but in Jamshedpur it makes no difference.

Mr. Mather.—Excuse me, it does make a difference. The men are paid a fixed monthly salary. It is a comparatively small salary and not in any case sufficient to induce men to come out to India to make steel. Therefore the bonus has been so fixed that in an ordinary month every man does get a bonus. Without that the man would not be satisfied to stay here. Therefore any accident due to careless work of that kind deprives him of some of his bonus automatically. If there is any break-out, the man would not get anything on that steel.

Mr. Homi.—There we come to the same point whether the men are paid adequately or not.

Mr. Mather.—It would be for you to prove that men would be willing to come to India to do this work on a pay substantially lower than they are getting at present. You have not adduced facts and figures to show that, and till you do so I would wait for evidence about the possibility.

Mr. Homi.—I have mentioned somewhere.

Mr. Mather.—The whole of your paragraphs 128, 129 and 130 really work out to this that you think on the whole the net effect of the Company's system of payment is that they give these men more pay than is necessary. You probably are aware that in September 1920 there was a strike of the covenanted hands on the Open Hearth Department, who were being paid on this basis, because the pay was not sufficient. Naturally the Company had no tendency to give the men extra pay but ultimately they had to give in. Does not that rather suggest that the Company is not giving pay unless it is absolutely necessary and the presumption is that those rates are necessary.

Mr. Homi.—I don't accept the Company's decision. The Company's decision is the decision of the men at Jamshedpur.

Mr. Mather.—The men would not accept your decision either.

Mr. Homi.—I am giving an expression of my opinion. I still say that the men are paid there much more than is necessary.

Mr. Mather.—Don't you think that the Board would be entitled to attach more value to the very effective expression of opinion of the men doing the work and the opinion of the Company against whose interest it is to give these men more pay?

Mr. Homi.—Don't you think that there are various other circumstances that make up for any deficiency that there may be in their pay by way of their getting privilege leave, eight hours work and other different advantages?

Mr. Mather.—Eight hours day is customary now in all steel making countries.

Mr. Homi.—Since 1915?

Mr. Mather.—All these other questions of subsidiary benefits were all carefully weighed and taken into account and the Company did all they could to press those arguments and made the most of the subsidiary benefits. But the men who were actively concerned maintained at a considerable risk to themselves that the wages were not sufficient. I think that it is hardly to be expected that the Board can accept any other view about these rates unless it is supported by some extremely strong facts.

Mr. Homi.—I do think that the Company was extremely generous on that point.

Mr. Mather.—But of course the men did not. It is rather difficult for you, unless you can bring up more facts than you have mentioned about these rates of pay, to establish that.

Mr. Homi.—I will adduce that later on.

Mr. Mather.—In paragraph 141 in which you are discussing the Mills Department, you tell us of certain American Mills which were getting large outputs from blooming mills. Are you sure that these mills are starting with the same size of ingots as Tatas?

Mr. Homi.—Almost the same—56 cwt. or thereabout.

Mr. Mather.—Are they rolling the same sized blooms?

Mr. Homi.—Most of the American mills roll $4'' \times 4''$ billets. There are very many of them which roll $8'' \times 8''$ blooms, so the tonnage varies.

Mr. Mather.—Some of them roll $8'' \times 8''$ and others $4'' \times 4''$?

Mr. Homi.—It all depends on the works. If you take all the works in the United States, you can say 'yes.'

Mr. Mather.—And probably that applies to all the mills with a big output?

Mr. Homi.—Yes.

Mr. Mather.—Whereas, as you are aware, Tatas' have to roll a considerable proportion of $4'' \times 4''$ billets in their mills and to that extent they cannot be expected to keep back.

Mr. Homi.—If they are rolling rails to the extent of 60 per cent. of their output, then they would require $8'' \times 8''$ blooms, which means less rolling time.

Mr. Mather.—That leaves a substantial proportion of smaller blooms or billets which interferes of course seriously with the maximum output of the mill.

Mr. Homi.—I do not know how it should.

Mr. Mather.—In paragraph 147 you tell us that you don't recollect having seen anywhere such a terrible amount of breakdowns and mishaps as happen in and around these mills. I think that you are still discussing the blooming mills?

Mr. Homi.—This includes blooming as well as rail and other mills.

Mr. Mather.—You have not mentioned rails.

Mr. Homi.—No.

Mr. Mather.—Do you think that this applies to the blooming mill as well as to the rail mill?

Mr. Homi.—Part of it.

Mr. Mather.—Do you think that there are many more breakdowns in the blooming mills than there are in mills in other countries?

Mr. Homi.—Not in the blooming mill.

Mr. Mather.—You are satisfied there?

Mr. Homi.—Yes.

Mr. Mather.—This should be qualified as only applying to the rail mill?

Mr. Homi.—Yes. Table-rolls come into the blooming mills, as well.

Mr. Mather.—These breakdowns you attribute to the faulty design of the mill in the first instance?

Mr. Homi.—You might blame that for the cranks.

Mr. Mather.—Or to the carelessness of the staff?

Mr. Homi.—Partly that and partly the faulty design of the machinery.

Mr. Mather.—Do you think that the carelessness on the part of the staff is responsible for these?

Mr. Homi.—Quite a bit.

Mr. Mather.—On the blooming mills, there is only one European employed in each shift.

Mr. Homi.—I make no qualifications about Europeans at all.

President.—Are you aware of the fact that on the blooming mills only one European is employed on each shift?

Mr. Homi.—Yes.

President.—Very well then, if there are more breakages due to carelessness, probably you would admit that no one man whatever his position or qualification can take up detailed responsibility for every piece of plant. Does not that then imply that the Indians who form the rest are not yet so efficient in the maintenance and manipulation of these mills?

Mr. Homi.—I don't accept that view at all. My contention is that there is no organisation.

Mr. Mather.—You think that it is only a question of more organisation?

Mr. Homi.—Yes. Personality is more and more subordinated in modern industrial concerns.

President.—Since 1919, you had no opportunity of forming an independent opinion as regards the management and organisation?

Mr. Homi.—Evidently, but I have kept myself in close touch.

President.—So that your opinion is based on your recollection?

Mr. Homi.—Also.

Mr. Mather.—I am inclined to think still that your opinion in the statement that there are more breakages in table rolls, roller cranks, etc., and that they are generally more considerable than in other plants is one of the many cases which do go to prove that up to the present it has not been possible to train Indian labour to the same standard of efficiency as obtains in other countries. That is a question to which we referred yesterday.

Mr. Homi.—It may be untrained. I say no efforts have been made to train them for the line.

Mr. Mather.—Later on in the same paragraph (147) you say "I remember of no occasion when an indicator chart of the engines was taken to determine the index of efficiency." Is there any particular reason why you should know when an indicator chart of the engines is taken? I do not think that anybody can say that. That statement cannot carry any authority unless it comes from a person who ought to know when an indicator chart is taken. This statement does not mean anything if it comes from other persons.

Mr. Homi.—That means that no chart was taken.

Mr. Mather.—Does that mean that no chart was taken because you did not know that it was taken?

Mr. Homi.—I know it for a fact.

President.—You know it from information received from others?

Mr. Homi.—Up to 1919 I know it, Sir, from my own personal experience.

President.—You were not at any time employed in the blooming mill?

Mr. Homi.—No.

President.—Your statement is that if the indicator chart had been taken you would have known it?

Mr. Homi.—Not necessarily officially.

President.—It is not a question of official or unofficial. You did not hear or see it was taken and you infer it was not taken.

Mr. Homi.—I infer it and know it for a fact.

President.—Your statement is that you know it for a fact. Our business is to enquire what evidence you had to justify such a statement.

Mr. Homi.—I have known very many things and this was one of these that never come out. In fact on two occasions indicator chart was proposed to be taken but the proposal was turned down.

President.—It is for you to inform the Board, as far as you can, how you obtained this information and I understand your statement is this: that had the indicator chart been taken you must have known and, as you do not know, it was not taken.

Mr. Homi.—This is not the line of argument. I know it for a fact that this was not taken.

President.—How?

Mr. Homi.—From various sources of information. In a small plant like that at Jamshedpur there is hardly anything that occurs in one department which is not known in the other departments.

President.—By hearsay?

Mr. Homi.—Mostly by hearsay and also by personal examination.

President.—If you make a personal examination you can satisfy yourself that a certain thing is done. But you cannot by personal observation satisfy yourself that a thing is not done unless you have watched all the time.

Mr. Homi.—If you have not seen a thing done, you do come to the conclusion that such a thing is not done.

President.—I am still in doubt as to the materials you have to bear out this statement.

Mr. Homi.—This will be borne out by the Company's own statement.

President.—Let us leave it at that.

Mr. Mather.—Leaving the question of the indicator chart, are you an experienced steam engineer?

Mr. Homi.—No, Sir.

Mr. Mather.—In spite of that fact and your statement that no indicator chart has been taken, you still have no hesitation in declaring that the efficiency will be very low.

Mr. Homi.—I do possess the elementary knowledge of a steam engineer and even a layman would say that the efficiency of an engine would react very greatly on steam production and steam consumption of the boiler plant.

Mr. Mather.—You are aware of course that the boiler plant at Tata's is serving very many purposes. I want to know what qualifications you have merely by looking at that engine to say that it is an engine of very low efficiency, since on your own statement no indicator chart has been taken.

Mr. Homi.—I had that information from engineers who were already on the spot.

Mr. Mather.—So it is not on your own authority at all. If they come to give evidence on that suggestion it would carry weight. Then in para-

graph 148 you give us "all other costs" of Tata's mills and United States mills—blooming mills—for comparison. I take it that the items included in the two sets are identical?

Mr. Homi.—Yes.

Mr. Mather.—You say that Tata's had an overwhelming advantage over American conditions. Will you say in what respects Tata's had an advantage?

Mr. Homi.—In the items of supply which go into "all other costs."

Mr. Mather.—Most of these resolve themselves ultimately to coal.

Mr. Homi.—There are labour, steam, water, electric current, shops, laboratory expenses, yard switching and so on.

Mr. Mather.—In paragraph 151 you are discussing the 'spread' or 'conversion costs' between billets and merchant bars. There are one or two figures that seem to me very surprising. First of all you tell us that at one time the spread in America was 5 dollars but that the average for pre-war years was 10·61 dollars. Is that the average for pre-war years? If so, what do you mean by 5 dollars?

Mr. Homi.—That was before 1921.

Mr. Mather.—Pre-war years were before 1914.

Mr. Homi.—5 dollars has reference to years before 1911 and the pre-war years are taken from 1911 to 1914.

Mr. Mather.—However, 5 dollars spread is a sort of basis as you mention it two or three times and this 10·61 dollars for pre-war years is fairly consistent with your maximum of 12·94 in March 1913 and the minimum of 4·69 dollars in November 1911. I would like to find out what you think should be taken as a basis for pre-war cost.

President.—If you can tell us at what time the spread was 5 dollars in America that would help us.

Mr. Homi.—If I can read from this article. "It was once regarded as substantially axiomatic in the steel industry that 5 dollars spread would cover costs between pig iron and billets and a similar 5 dollars spread would cover costs between billets and steel bars. Recent eras of high prices have upset this interesting theory." The five dollars has reference to years prior to 1911.

Mr. Mather.—What is the date of the article?

Mr. Homi.—This I have not been able to find out.

Mr. Mather.—The figures which you have got from some other source appear to indicate that in pre-war years the spread was 10·61 and in the post-war period you tell us that the average may be regarded as 10 dollars. Does that mean that the costs have actually come down in the United States and they are actually lower than in pre-war years?

Mr. Homi.—No.

Mr. Mather.—There is a smaller spread now since the war than it was before the war.

Mr. Homi.—This 10·61 dollars refers to the figures from 1911-14 and I have compared this pre-war figure with the Tata's figure for 1914-18 which comes to an average of 11·10 dollars. Then in the post-war period 1919-22 the maximum in America is 24 dollars and the average is 10 dollars.

Mr. Mather.—The average in America for 1919-22 is 10 dollars and the average for pre-war years was 10·61 dollars. Can you tell us what the state of the steel industry has been in America to account for this falling off?

Mr. Homi.—There was a slump and war-time extravagance had been practically got rid of.

Mr. Mather.—There was a boom in 1920 and there was no war-time extravagance between 1911 and 1914.

Mr. Homi.—Of course not, but during the war time it got very high. Conditions after the war are becoming as normal as before the war.

Mr. Mather.—I am specially interested in this because this is the only indication we have that post-war cost is actually less than pre-war cost. Do you think it is really so?

Mr. Homi.—Evidently from the article that I read it is clear. "Apparently a new base line has been established which might tentatively be placed at 10 dollars for all rough purposes of calculation. This 10 dollars may therefore reasonably be capable of covering substantial conversion cost from pig iron to steel ingots and thence into billets of commercial size."

Mr. Mather.—If you can point to any reasonable explanation for this that would be very interesting: otherwise the inference is that the figures have not been taken on the same basis.

Mr. Homi.—10 dollars has more reference, I presume, to 5 dollars of pre-war spread.

President.—But pre-war spread was according to you 10·61 dollars.

Mr. Homi.—This 5 dollars spread has reference to years beyond that, not 1911-14.

Mr. Mather.—For 1911-14 it was 10·61 dollars. For the three years after the war it was 10 dollars and for the three years before the war it was 10·61 dollars.

Mr. Homi.—It might be explained in this way. There were large scale productions during the war time as compared to what had been before, and this has appreciably brought down the cost of production though the prices of materials may have gone up.

Mr. Mather.—But 1919-22 was not war-time.

Mr. Homi.—No: but they have extended their plants during the war time and had greater production necessitating reduction of cost.

Mr. Mather.—Can you tell us exactly what developments led to this reduction in cost in 1919-22 when compared to 1911-14? There is no indication that there has been any increased production in those years to bring the cost down when compared with that of the pre-war years. I was looking to these figures with some interest as possibly supplying us with a basis of reasonable costs of rolling billets into bars, but I find it very difficult to accept them on their face value because they seem to me inconsistent with themselves. You quote a minimum spread of 1·59 dollars in 1922. Do you think that anybody was actually rolling billets into bars at as low a cost as that?

Mr. Homi.—There may be plants that are taking billets and rolling out to bars: that may account for the difference. I am merely quoting from the article.

Mr. Mather.—Do you think that the cost may be 1·59 even in the case of a single plant?

Mr. Homi.—It may be one of the causes. I take it as a possibility.

Mr. Mather.—Since you have given these figures, if you will trace and supply the Board with details of cost, it would be of interest to have them.

Mr. Homi.—I shall try my best.*

Mr. Mather.—Later on you begin to discuss the fuel problem. Then again in considering the amount of fuel required to make steel (in paragraph 156) you say "using a 50—55 mix in the open hearths only a certain amount of fuel is required." May I again point out and emphasise that Tata's do not use 50—55 mix, because the scrap is not available?

Mr. Homi.—It should be 50—50 mix.

Mr. Mather.—Tata's cannot possibly use that mix because the scrap is not available and the mix they are compelled to use is one which requires more fuel per ton. Therefore on that basis it may be misleading.

Mr. Homi.—It is only on theoretical basis.

Mr. Mather.—You admit that it is only on a theoretical basis?

**Vide* Statement IV (1).

Mr. Homi.—Yes. Tata's do not have any electricity to drive their mills either.

Mr. Mather.—In paragraph 157 you suggest that producer gas should no longer be used for heating Open Hearth furnace. Have you any particular substitute in mind?

Mr. Homi.—What do you refer to?

Mr. Mather.—You say "I have no hesitation in claiming that Tata's should be able to finish all their steel without the use of a pound of coal elsewhere, except at the coke works and in the locomotives and cranes and shops . . ." That in fact means gas producer plant. Do you think they will have enough coal tar?

Mr. Homi.—At present they have.

Mr. Mather.—But if they were turning all their pig iron into steel which is approximately what they intend to do in future?

Mr. Homi.—I have got a statement which I am going to file to-day where I have shown how much saving can be effected from that source and how much steel could be made from available sources of coal tar. I want to put in that statement.*

Mr. Mather.—Is it your opinion that in addition to coal tar some coke oven gas would be required?

Mr. Homi.—Yes.

Mr. Mather.—You go on to say "One can imagine the saving resulting from less coal, no labour or repairs on gas producers, no cleaning out of gas mains . . ." I take it that coke ovens require gas mains. So that cannot be eliminated.

Mr. Homi.—For coke-oven gas we need not have gas mains because it goes out by means of pipes.

Mr. Mather.—What is the difference between mains and pipes?

Mr. Homi.—For producer gas you have to have big mains or they would be all clogged up with soot.

Mr. Mather.—It will have to be sent through pipes: there is no essential difference between a pipe and a main.

Mr. Homi.—The pipe is of a smaller size. There is very little chance of its being choked up, being clean by-product gas, and there need not be cleaning always.

Mr. Mather.—That is rather different from no cleaning out of gas mains. I think you will find that nobody can go on passing gas in a main without cleaning occasionally.

Mr. Homi.—Not every week, anyway.

Mr. Mather.—There will be occasional cleaning. In paragraph 159 you tell us that a blast furnace would be able to provide enough surplus for power generation purposes the equivalent of 30 H. P. for every ton of pig produced.

Mr. Homi.—It should be 250 to 300 kilowatt-hours. Perhaps we will scrap out the whole sentence and say "For power generation purposes practically of the whole plant." "Equivalent of 30 H. P., etc.," may go out.

Mr. Mother.—In paragraph 161 you tell us about some attempt to burn blast furnace and coke oven gas under the boilers and a lurid red column of unburnt gases ignited at the chimney top. May I ask when this was?

Mr. Homi.—In 1917, 1918 and 1919.

Mr. Mather.—Do you think it is reasonable to quote a thing like that which may possibly have been experimental and rectified several years ago?

Mr. Homi.—That is why I was referring to the past.

Mr. Mather.—Do you think it has any bearing on present or future cost?

Mr. Homi.—It has a great bearing on the present condition of the plant.

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*Statement IV (2).

Mr. Mather.—You think that might happen now?

Mr. Homi.—I think that extravagance would lead to the same result and bring the plant down to the condition which it is now.

Mr. Mather.—It does not necessarily follow that what happened in 1918 is still happening. This is certainly not happening, this flame on the top of the chimney.

Mr. Homi.—I do not say it is happening. The amount of materials and money spent then has been responsible for the present condition of the plant.

Mr. Mather.—It is quite possible it is your opinion, but it is not sound to argue that more men are being employed and more materials are being consumed now on the basis of something that happened in 1918.

Mr. Homi.—I was simply showing here a reflection on previous operation methods.

Mr. Mather.—They may have been completely discredited now.

Mr. Homi.—They may have been.

Mr. Mather.—We come to your discussions of the Greater Extensions. You tell us "The Greater Extensions were sanctioned in December 1916 and it will shortly be seven years since the inauguration of the scheme." To that extent it is quite true, but then you go on and say "and presumably will need three years more for completion." That does not agree at all with the information available to the Board or with any competent examination of the present position in Jamshedpur. All the indications are that the Greater Extensions will be completed in six months, not in three years.

Mr. Homi.—I think these are statements that have been given out by the Directors from time to time in which they expected the Greater Extensions plant to be in full swing in about three years.

Mr. Mather.—When was this statement made?

Mr. Homi.—If you will give me some time I shall find it out.

Mr. Mather.—In the meantime we must rely on the information the Board has got that the indications are that the Greater Extensions will be completed in about six months' time.

Mr. Homi.—The Directors from time to time made several estimates of the time within which particular units might be completed, and many such forecasts were failures.

Mr. Mather.—In some cases they may have been speeded up: that has been the tendency of late and things have been coming into operation more quickly than they used to do a year or two ago. However we need not argue that point. Then you go on to tell us the speed with which the Gary plant was built. The Gary plant was built up in a very highly developed industrial country by the most powerful industrial corporation in the world, which was able to supply most of its own raw materials and a good deal of its transport and had practically none of the difficulties such as are encountered in India.

Mr. Homi.—You must look at the same time at the magnitude of the works.

Mr. Mather.—The magnitude is smaller in proportion to the reserves of the United States Steel Corporation than the Extensions here are in proportion to the reserves of Tatas'.

Mr. Homi.—It is a matter of opinion.

Mr. Mather.—The Gary plant added perhaps 15 per cent. to the United States Steel Corporation's output of steel while the extensions to the Tata Co's plant will on an average add 200 per cent. Is it not obvious that in proportion to their resources it was a smaller undertaking for the United States Steel Corporation to put up that plant? The United States Steel Corporation could supply the whole steel required for putting up the plant, for instance; the Tata Co. were not in a position to do so.

Mr. Homi.—They had contracts made out and estimates formed as to the time of completion which had evidently been exceeded tremendously, an item over which Tata's had absolute control.

Mr. Mather.—Do you think any firm which enters into contracts has absolute control?

Mr. Homi.—All of them do.

Mr. Mather.—Not by any means.

Mr. Homi.—They ask for the minimum time within which the contract is to be carried out, otherwise there are various penal clauses attached to it.

Mr. Mather.—I want to point out that it is not calculated to impress the Board as a reasonable comparison that because the most powerful Steel Company in the world could add 15 per cent. to its capacity in a period of 2½ years in peace time in a very highly industrial country, therefore the Tata Iron & Steel Co., or any other company, should add 150 per cent. to its capacity in India partly in war time in anything like that period?

Mr. Homi.—They calculated all that and they were sanguine that they would be able to do it.

Mr. Mather.—I am not in a position to say how sanguine they were, but it would not be likely to impress the Board or the outside public as being reasonable to expect that in war time.

Mr. Homi.—You know the Tata Co., in the beginning expected to complete the Greater Extensions in 18 months.

Mr. Mather.—Then in paragraph 175 you talk about the plate mill which "was 'rushed' to secure fabulous profits." Are you quite sure that you are fully aware of the motives of the Directors in rushing the plate mill?

Mr. Homi.—Of one of them.

Mr. Mather.—It is only a surmise?

Mr. Homi.—Yes.

Mr. Mather.—You have no particular information about it?

Mr. Homi.—No.

Mr. Mather.—Will you admit that there may have been causes known to the Directors in rushing the plate mill that you are not aware of?

Mr. Homi.—There may have been.

Mr. Mather.—Later on in the same paragraph you say that "this plate mill is really running merely one turn, about 15 tons a month production."

Mr. Homi.—It should be 1,500 tons.

Mr. Mather.—In any event, you do not expect the Board or the public to take that as a criticism of the plate mill? I presume you may be aware that that is only a temporary feature.

Mr. Homi.—That is because there is no demand for plates: the prices have gone down. If this plant had been ready by the time they had expected it might probably have run to its full capacity.

Mr. Mather.—That is a different thing: we are discussing the present situation. Do you want to suggest that it is going to be normal to run only one turn?

Mr. Homi.—I do not suggest anything of that kind at all. I have expressly mentioned "*At present* it is running one turn."

Mr. Mather.—The inference being of course, since you do not mention any exceptional conditions, that there might not be any particular circumstances to cause that.

In paragraph 177 you begin to discuss the Duplex plant. Can you tell us how many Duplex plants there are in the United States?

Mr. Homi.—There are three.

Mr. Mather.—Do you think there are only three?

Mr. Homi.—I mean of any considerable size.

Mr. Mather.—What amount of output would you call considerable?

Mr. Homi.—150,000 or 200 000 per year.

Mr. Mather.—Since the Tata Company expect to get rather more tonnage of ingots, you think there are only 3 duplex plants in the United States of approximately the same size as the Tata Co.'s plant?

Mr. Homi.—I mean per furnace.

Mr. Mather.—Unless you give us the number of Duplex plants or say exactly what you limit yourself to, it does not give much of a basis to form any opinion.

In paragraph 178 you discuss the possibility of making higher grades of steel by straight Talbot alone. That has not much bearing on this investigation of Tatas, has it?

Mr. Homi.—Whenever it is run as a 'straight' Talbot instead of duplexing it.

Mr. Mather.—So you think that the Tata Company have handicapped themselves as regards the making of steel by putting in a Talbot furnace?

Mr. Homi.—No. They could not make more steel that way than by the straight open hearth process.

Mr. Mather.—And you think they would not be such good quality?

Mr. Homi.—Possibly not. I am quoting the opinion of the officials—"that higher grades are never made by this process and that straight Talbot alone will not make any more steel in a given time than the straight O. H. process—provided the quality is the same."

Mr. Mather.—You have not considered the opinion of any other authorities on the subject?

Mr. Homi.—I have, so far as they were available to me.

Mr. Mather.—Probably the most careful comparison of different open hearth processes was made at Witkowitz for 8 years on a scale much more satisfactory than any experiment that has been conducted in the United States or any other country, and, as a result of that careful and prolonged large scale experiment, the management were of opinion that the Talbot furnace could make equally good steel of many different qualities and probably make it more cheaply.

Mr. Homi.—Continued large scale production?

Mr. Mather.—Yes.

Mr. Homi.—But there is nothing to show that the conditions at Jamshedpur will be duplicates of those at Witkowitz?

Mr. Mather.—Is there anything to show that the conditions in the United States which you are asking the Board to consider could be repeated at Jamshedpur?

Mr. Homi.—Evidently the plant and the staff in Jamshedpur are American and they are eventually likely to be influenced by their experience in the United States.

Mr. Mather.—I am afraid you are wrong on a point of fact. The open hearth is run by a European Superintendent.

Mr. Homi.—Not at all. There are smelters who are Americans. The Assistant Superintendent on the Duplex is an American gentleman.

Mr. Mather.—I am not prepared to accept your opinion about the Talbot furnace because I do not regard it as having been based on the best opinion that is available.

Mr. Homi.—That is your opinion.

Mr. Mather.—In paragraph 181 you say "there is a decided prejudice amongst Railway Engineering circles to look down with disfavour on the use of the Duplex for rails, better grades of plates, sheets, etc., for a steel that is once oxidized and then deoxidized can never be the equal of a steel that has not undergone the cycle." Would you mind telling us by what process steel is made without being oxidized and deoxidized?

Mr. Homi.—This refers to oxidization through the blast in converters.

Mr. Mather.—I cannot accept the first sentence as it stands. In the other you tell us that "The metal whose manganese and silicon is reduced with a blast in the converter is a different product from the one whose impurities are worked out by means of lime in a furnace." Let us assume for the moment that it is different. Do you mean that it is worse or better?

Mr. Homi.—By blast you will never get the same quality.

Mr. Mather.—Do you get better quality?

Mr. Homi.—Worse.

Mr. Mather.—Invariably?

Mr. Homi.—Mostly.

Mr. Mather.—You know that most of the steel rails laid in India have been made by the converter process?

Mr. Homi.—There are various engineers who differ in their opinion. Whether it should be duplex steel or open hearth steel is mostly influenced by the chief engineers of railways and their metallurgists.

Mr. Mather.—We are discussing for the moment the principle of steel manufacture; we are not discussing what the railway engineers think of it. You seem to assume that steel made in a converter is necessarily of inferior quality.

Mr. Homi.—Inferior to that made in the open hearth.

Mr. Mather.—That is not the invariable experience. Then you say it is a different product from the one whose impurities are worked out by means of lime in a furnace. May I point out that the impurities in the open hearth are not worked out by means of lime but by means of iron ore?

Mr. Homi.—Iron ore brings about the reaction. It is the lime that absorbs the impurities.

Mr. Mather.—It is rather a different thing from what you said.

In paragraph 182 you say "pig iron with two or more per cent. of manganese, it never pays to eliminate it in duplexing." How much manganese does Tata's pig contain?

Mr. Homi.—It should be 1 per cent. or more.

Mr. Mather.—You seem to think that in any pig iron which contains one per cent. or more manganese it never pays to eliminate it in duplexing, for manganese has to be added later on in the bath and it is wasteful to duplex it.

Mr. Homi.—This is the opinion of a man who was actually running a duplex plant in America.

Mr. Mather.—Can you tell us what happens to the manganese when it is worked in the straight Open Hearth?

Mr. Homi.—It goes out and therefore there is no more waste. When you duplex it you blow out all the manganese in the converters and add it later on in the bath.

Mr. Mather.—You are speaking of the waste of manganese and the excess cost of ferro-manganese. The manganese is going to be wasted by whichever process you manufacture.

Mr. Homi.—That makes a difference about the quality.

Mr. Mather.—We are going on to the quality later on. At the end of paragraph 182 you say "The already inferior quality of Tata's steel will be further heightened when they begin to duplex it." On what basis do you regard Tata's steel as inferior?

Mr. Homi.—That is the general trend of opinion in the market.

Mr. Mather.—Is that your own opinion?

Mr. Homi.—I have heard that sort of opinion cited before the Board already by certain witnesses so far as I remember, having studied it in the Bombay papers, that Tata's steel is not of actually the same grade as British steel.

Mr. Kale.—It is all the other way about.

President.—My recollection is that no witness has stated in evidence before the Board that Tata's steel is inferior to British steel.

Mr. Homi.—That was my impression.

Mr. Mather.—Were you relying entirely on the newspaper reports of the evidence given before the Board?

Mr. Homi.—Yes.

Mr. Mather.—If there is nothing in the Board's evidence to support that view, you would agree that Tata's steel is as good as any other steel?

Mr. Homi.—I am ready to alter my opinion.

Mr. Mather.—In paragraph 183 you say "It is a moot point whether the railways will accept any duplex steel for their rails." Have you any particular ground for assuming that the railways will raise any objection?

Mr. Homi.—No, except in the light of this Canadian specification.

Mr. Mather.—You think that might influence the railways to object to the use of duplex steel?

Mr. Homi.—Might.

Mr. Mather.—Have you studied the specification for rails made in India?

Mr. Homi.—No.

Mr. Mather.—It is my duty to keep that and I consider that the specification for rails made in India is such that if steel made by the duplex process passes this specification it would be perfectly satisfactory for use, and there is no reason to cast this aspersion on duplex steel.

Mr. Homi.—It is not so much aspersion as assumption.

Mr. Mather.—In that case I say there is no reason to make this assumption. In a large part of the next paragraph you develop the argument which amounts, I think, generally to this, that the capacity of the mills is very much greater than the capacity of the steel making plant in the new extensions and again that the steel making plant has possibly a greater capacity than the blast furnaces behind it.

Mr. Homi.—Yes.

Mr. Mather.—Supposing that that proves to be so—supposing that the Tata Co. were able to train the Indian staff to work their mills at the same pitch of efficiency as is done in the United States—do you not think that means that Tata's prospects for making steel cheaply are more favourable than they have assumed them? The consequence of that would be that, if the mills could turn out more than 420,000 tons of rolled steel which Tata's expect to get if they can turn out, say, 500,000 tons, the Tata Co. would be able to arrive at an ultimate production of 500,000 tons merely by, say, increasing steel making capacity or blast furnace capacity without having any additional overhead charges for the mill plant, and therefore their overhead charges per ton will be less over the whole output.

Mr. Homi.—They expected very many things which have not come out. There have been many suppositions, besides yours, at Jamshedpur. I might say the plant was ill-balanced.

Mr. Mather.—If on the basis of what you consider an ill-balanced plant they expect to be able to manufacture steel at a reasonable cost, then if they do rectify balance, their overhead charges will be less than they are now and therefore the Tata Company will be in a better position.

Mr. Homi.—Where is the guarantee and when are they going to do it? Supposing the Greater Extensions came into operation in about 6 months as you say; they have made no provision of that kind. It is a sort of assumption, from beginning to end.

Mr. Mather.—I don't say for a moment that Tata's will accept your opinion about the balance.

Mr. Homi.—I can express no opinion myself at all. I am merely saying what the facts really are.

Mr. Mather.—My point is this, if it is ill-balanced, as you say, then ultimately, by rectifying the balance, Tata's will be able to make steel cheaper than they expect.

Mr. Homi.—The whole question hinges upon the time available to do so. If they take unduly long time, then by the time they make it the Company will be already swamped.

Mr. Mather.—In paragraph 200 you call attention to a point which is certainly of considerable importance to all industrial establishments and that is the changing of men from one plant to another. That of course occurs to a certain extent in all plants I have been acquainted with—it may have been more in Tata's or it may have been less, and it is no doubt a costly process. Then you go on to say "it has been calculated that it costs on an average dollars 100 for every man so transferred by way of loss of efficiency." Do you think that that figure of 100 dollars has any kind of bearing on Indian conditions? Do you want to infer that it would cost 100 dollars by way of loss of efficiency in the case of Tatas?

Mr. Homi.—It might cost more or it might cost less; it might not cost them exactly that amount. I am quoting the American figures, and at Jamshedpur it might cost more or cost less, but it is certainly a costly process.

Mr. Mather.—Everybody engaged in industrial operations is aware of that. Have you seen an analysis of that 100 dollars?

Mr. Homi.—No. It could not be definitely proved: it must remain as an assumption.

Mr. Mather.—I have seen the analysis of American figures for this purpose and they contained elements some of which do not exist in India, and I do not think that the figure modified for Indian conditions would involve so much loss.

In paragraph 206 you realize clearly that the Tata Company have various burdens due to all the costs of "great town-planning, administration, sanitation, water supply, etc:" and you suggest that this can be met "by other devices, *e.g.*, by reorganization into an entirely separate company, or by the creation of a municipality or some such other methods." Let us look at the position. These services are a considerable burden to Tatas and do you expect that they could unload that burden on anybody else without paying somebody to take that burden? Do you know of anybody who wants to take that burden, whether they call themselves a municipality or something else, free of charge?

Mr. Homi.—Nobody would take it unless they were assured of an adequate return from that.

Mr. Mather.—Do you think they would get a return for instance, from the expenses on sanitation?

Mr. Homi.—You must take the town as a whole: you cannot divide it in sections, sanitation taken up by a certain party, education by a separate party, town-planning by a third party and so on. They should all go together.

Mr. Mather.—Well let us take it as a complete holding. Do you think that there is any financier in India, or out of India, who would be willing to take over that on any terms which would be of benefit to Tatas? And they would not take it up unless it is of benefit to themselves.

Mr. Homi.—The position is capable of solution.

President.—The question is whether the solution would reduce Tata's cost or not.

Mr. Mather.—At present it is costing Tatas a great deal. There is a net burden on Tatas in respect of these services. Do you suggest that they could get rid of the burden?

Mr. Homi.—Yes.

Mr. Mather.—Since that is a burden, I want to know whether they can get rid of it except by paying. Would people come along and be willing to give good money for taking over the burden?

Mr. Homi.—Would not the formation of a municipality in the town reduce the cost of Tatas?

Mr. Mather.—Can you tell us in what way?

Mr. Homi.—It may lead to further taxation on other items in the town but it would certainly lead to a solution so that the expenditure made after the town could freely be reimbursed by the income derived from local taxes.

Mr. Mather.—On whom would this burden fall?

Mr. Homi.—Tata's employees.

Mr. Mather.—In that case is not that merely shifting the burden from one man to another man?

Mr. Homi.—That would not in that case affect the whole production.

President.—Would not the local rates paid by the Tata Company form a part of the cost of production? If Tatas have to pay taxes to this municipality would not these taxes have been met out of the cost of the Company?

Mr. Homi.—A part of it will be recovered from the population.

Mr. Mather.—That means that living would be more expensive than it is now at Jamshedpur and higher wages would be demanded. Have you given it a careful consideration before making that suggestion?

Mr. Homi.—I have made a suggestion only.

Mr. Mather.—At the end of the same paragraph 206 you tell us that an investigation is now pending before the Federal Trade Commission in the United States of America over the "Pittsburgh Plus" plan of selling in the Chicago districts and westwards of steel made in it. I cannot see what bearing that has on Indian conditions.

Mr. Homi.—It has bearing in this way that Tata's prices are based on the c.i.f. prices and, if steel could be made cheaper in India, there is no reason why it should not be made to sell cheaper instead of being based on the c.i.f. prices.

Mr. Mather.—What connection has that with the "Pittsburgh Plus" plan of selling in the United States?

Mr. Homi.—In the Chicago districts steel is made and sold on the Pittsburgh basis. If steel could be made in Chicago at cheaper rates, why should the c.i.f. price be taken into consideration?

Mr. Mather.—That is a matter for Americans.

Mr. Homi.—In the same way, if steel could be made in India cheaper, there is no reason why the selling price should be on the basis of the c.i.f. price of steel coming into the country instead of on the basis of the actual cost of production, with a reasonable profit of course.

Mr. Mather.—I am afraid I fail to see the connection between the two. In paragraph 209, you discuss the question of ferro-manganese. You appear to favour that instead of exporting the manganese ores, the manufacture of ferro-manganese should be encouraged in this country. Do you think that Indian-made ferro-manganese would find a market in other steel-making countries at a favourable price?

Mr. Homi.—Yes, if the quality remained the same.

Mr. Mather.—Do you think that the quality would be the same?

Mr. Homi.—There is every possibility.

Mr. Mather.—How would you propose that an Indian manufacturer should make ferro-manganese with low phosphorus since there is a high phosphorus content in the Indian coke?

Mr. Homi.—There are various ways which could be found out.

Mr. Mather.—Are you quite sure that it is possible to eliminate phosphorus in the blast furnaces?

Mr. Homi.—Yes, if you have got a low grade of phosphorus in the coal.

Mr. Mather.—Is there any such coal in India?

Mr. Homi.—I shall give you one instance. In Mysore they have got coke. Could not that possibly be used for ferro-manganese purposes?

Mr. Mather.—It is charcoal. Have you calculated how much it would cost to make ferro-manganese from charcoal?

Mr. Homi.—It is not my business to calculate that.

Mr. Mather.—But you are suggesting as a practicable proposition for the consideration of the Board and Government that an export tax should be made on the manganese ore in order to encourage the manufacture of ferro-manganese in this country.

Mr. Homi.—By investigation, it could be found out.

Mr. Mather.—This is the investigation. I am trying to investigate it through you for the moment as the suggestion has come from you.

Mr. Homi.—I am of belief that it is possible.

Mr. Mather.—Since you believe, you must have some evidence. Would you mind telling us the evidence on this particular point?

Mr. Homi.—Tatas made ferro-manganese and shipped out during the war-time to the States.

Mr. Mather.—When they could not get it from any other source.

Mr. Homi.—In the United States, there is a large consumption of ferro-manganese which generally comes in the shape of imports.

Mr. Mather.—You might even go so far as to say there is a large consumption in all steel-making countries, not only United States of America. But are you not aware that almost immediately the war was over, when ferro-manganese could be got from other countries, the purchase of ferro-manganese from India immediately ceased on account of the phosphorus due to the quality of the coke?

Mr. Homi.—Tatas were the only people who made ferro-manganese.

Mr. Mather.—Other companies also in India made ferro-manganese and exported it during the war, but are unable to export it now.

Mr. Homi.—My impression was that Tatas were the only people and that their quality was not very up-to-date.

Mr. Mather.—Nor was that of the other companies.

Mr. Homi.—I did not know then.

Mr. Mather.—The reason was the high phosphorus content in the Indian coal. Nobody has suggested a satisfactory solution so far. Owing to that high phosphorus content, Indian-made ferro-manganese is too high in phosphorus for the steel-makers in other countries in normal times when they can get a better quality elsewhere.

Mr. Homi.—There is a possibility of eliminating the phosphorus in the coking process by means of lime.

Mr. Mather.—Have you any evidence to show that that will actually work?

Mr. Homi.—You could get that from metallurgical books.

Mr. Mather.—I am afraid you are getting confused with the possibility of eliminating sulphur from producer gas by means of lime. That has been tried. But there is no prospect of eliminating the phosphorus from coke by means of lime.

Mr. Homi.—I will look up the question.

President.—You should have looked up this before. Is it wise to communicate one's impressions in this way, because after all I think that when a suggestion had been made, it ought to have been thought out before and not afterwards?

Mr. Homi.—The Board also has got to think out quite a good bit.

President.—Before you put in anything, you ought to have thought about it from our point of view.

Mr. Homi.—You have more resources at your disposal to do it than I have.

Mr. Mather.—You tell us in paragraph 16 in connection with iron ore that Tatas get their ores for nominally nothing, a fixed royalty being all the price. Can you tell us what that royalty exactly was in 1914 and what it is now?

Mr. Homi.—If you look up the memorandum of Tatas and the report submitted by their mining engineers, it will be seen that it comes to about...

President.—Are these published documents?

Mr. Homi.—No, I don't think so.

President.—Then I must ask you not to refer to them.

Mr. Homi.—I would not suggest that, but the question................

Mr. Mather.—I won't put that question in that form. My impression was that royalties have been not fixed and have been raised.

Mr. Homi.—My impression is that it has been fixed at a certain percentage for a period of 30 years or so.

President.—Which lease are you referring to?

Mr. Homi.—The Mayurbhanj State.

President.—I may tell you that in the case of the earliest lease the rate of royalty fixed was started at a low figure but was to increase periodically up to 3 or 4 annas a ton. In the case of some of the later leases, the rate of royalty does not vary during the first 30 years. My recollection is that the details about the royalty are printed in one of the memoranda on Imperial Mineralogical Resources.

Mr. Homi.—I cannot quote it because I do not know whether it has been published. I think that the rate is liable to be renewed after 30 years or so.

Mr. Mather.—The President has pointed out that the ore which they are actually using is the Gurumaisini ore. It is the only ore which has been used so far to any important extent and it is subject to royalty which has risen to quite an appreciable extent.

Mr. Homi.—Yes.

President.—In paragraph 4 of your memorandum you say, first, that an industry ordinarily deserves protection when it is being unfairly competed against by foreign rivals, and, secondly, that when that industry is handicapped at home by certain natural or economic disadvantages that preclude the possibilities of any successful competition as, for example, lack of suitable raw materials, their great distances from the point of assembly or manufacture, high or fluctuating freight rates, transportation difficulties, irregular supplies both of materials and labour, the lack or scarcity of the latter, both skilled and unskilled, there are reasons which would justify the grant of protection. I should like to read to you what the Fiscal Commission say on the subject. "In dealing with all claims to protection the Tariff Board should in the first instance satisfy itself that the following conditions are fulfilled:—

"(1) The industry must be one possessing natural advantages such as an abundant supply of raw material, cheap power, a sufficient supply of labour, or a large home market.........

* * * * * * *

(3) The protection we contemplate is a temporary protection to be given to industries which will eventually be able to stand alone."

Apparently you don't think that protection ought to be given unless the industry is going to become a permanent burden on the community.

Mr. Homi.—Yes.

President.—Of course the opinion of the Fiscal Commission, having been approved by the Government of India and the Legislative Assembly, binds the Tariff Board. I am only asking this question because I want to get at what is in your mind. Your view is a different one altogether that the industries that require protection are those which never could maintain themselves against foreign competition.

Mr. Homi.—I had not the Fiscal Commission's report before me and so these are the possibilities that I could conceive of right at the moment. Other conditions may of course arise.

President.—You say that Tatas have all these natural advantages and that therefore they should not get protection. The Fiscal Commission say that an industry which possesses these natural advantages should get protection until it can stand alone.

Mr. Homi.—Evidently it amounts to that.

President.—That is what they said, so that you will recognise that it is impossible for the Board to accept the different point of view that you have put forward.

Then, if you look at paragraph 10 about the rail contracts, you talk about these contracts having been made at a fixed price when all their experience ought to have pointed out to them the unwisdom of it all. But you are aware, are you not, that up to 1919—almost up to the beginning of 1920—they were selling 80 or 90 per cent. of their output at controlled prices, so that they had very little experience as to what prices could be obtained in the open market for rails after the war. Everything that they supplied to Government was supplied at controlled prices.

Mr. Homi.—There was Government control right through.

President.—In paragraph 11, you say "Taking the United States Steel Corporation as a prominent instance we note that it never contracts for orders for more than a quarter ahead, that is, three months for immediate delivery, but orders are booked for future supply at prices to be determined by those prevailing during that quarter". You are aware I suppose that the Tata Co have made contracts on similar lines, not for the sale of its output, but for the purchase of its coal?

Mr. Homi.—Yes.

President.—That is to say, where they have contracted to purchase coal at the price paid by the Railway Board, or slightly above that price, you approve contracts of that kind. Do you think that that is the kind of con tract they ought to have made for the sale of their steel?

Mr. Homi.—I give no opinion on that score, whether it is advisable or not.

President.—You recognise, I suppose, that it is very important to a steel manufacturing company to be assured of large orders for standard sections which would keep the works employed?

Mr. Homi.—Yes.

President.—That is the object of making these contracts, but you suggest that they should not be at fixed price. In America there is the United States Steel Corporation. I do not know what percentage of the steel production of the country it controls, but at one time it was between 50 or 60 per cent. It is at any rate so important in the steel market that it can to a large extent control prices. Its policy has been to stabilise prices and avoid frequent fluctuations. Therefore if a firm in America made contracts on the basis of the Steel Corporation's prices, it would have some guarantee that it would be receiving about the market price. Similarly in the case of the coal contracts, in India, since the Railway Board is so much the most important of all purchasers of coal, I take it that the assumption of Tatas was that, if they contracted to pay at Railway Board rates, they would not be paying too much. But the question still remains whether it was possible to make a similar contract in the case of rails for sale to the Indian Railways.

Mr. Homi.—For the sale of rails to the Railway Board?

President.—How was that to be done?

Mr. Homi.—The Railways generally know their requirements quite a long time ahead.

President.—What about the prices? What conditions were to be made about prices?

Mr. Homi.—Could not prices be fixed at the time when delivery was made?

President.—On what basis?

Mr. Homi.—On the basis of the c.i.f. price.

President.—Do you think that the railways would have been willing to make such contracts?

Mr. Homi.—That is a different question.

President.—Unless the railways were willing to make such contracts, the Tata Company could not compel them to do so?

Mr. Homi.—There is that question: in case Tata's were unwilling to make such contracts with the Railway Board, it would mean that there would be less production of rails and that they could roll more structurals.

President.—We are not going into the question of structurals. We assumed that in order to get a steady demand for a very important standard section it would be worth while to make forward contracts for the supply of rails. The question is whether they could make contracts on the lines you suggest?

Mr. Homi.—Possibly not.

President.—Of course they could not, it was either a case of fixed price or no contract.

Mr. Homi.—Yes.

President.—Have you ever been to the ore mines at Gurumaishini since you came back from America?

Mr. Homi.—No.

President.—I think that if you visited them, you might possibly be able to ascertain some of the reasons as to why the cost of ore production was likely to rise.

Then in paragraph 18 you say "I understand and yet the Tata's bought and contracted for coal in the market at tremendous prices for the steel works, according to their General Manager to protect themselves, in what manner I cannot conceive, while their own coal was sold in the open market." Now you know, do you not, that the prices entered in these contracts were either Railway Board prices or some addition to the Railway Board prices—eight annas or something like that? Are you aware that until recently, *i.e.*, the present year—the price of coal in the open market was higher than the Railway Board price?

Mr. Homi.—Yes, because the Railway Board was controlling most of the coal.

President.—The price for which you could buy in the open market was higher than the Railway Board price.

Mr. Homi.—Yes.

President.—Don't you think that it might be a good bargain for the Tata Co. to sell their own coal for which they got more and buy the other coal for which they paid less?

Mr. Homi.—What about the investments that they had made?

President.—They would be getting a better return. If you can sell your coal for Rs. 12 a ton and buy other coal for Rs. 9 a ton, it might be profitable to sell as much as possible and buy as much as possible.

Mr. Homi.—That has been going on for the last four years.

President.—Undoubtedly. They could not do it now because the market rate for the last 9 months has been below the Railway Board price.

Mr. Homi.—Coal control came in 1918.

President.—Assuming that the market price was higher than the Railway Board price, it might be a very good bargain for the Tata Co. to sell their own coal and buy other coal for their requirements—might it not?

Mr. Homi.—So far as that goes. But the point is whether there is any profit ultimately in selling their good coal and using enormous quantities of dirty coal on the plant.

President.—Would you tell me what your contention is? Do you know for how long the Tata Co. have been selling their own coal in the open market? Have you any information about that?

Mr. Homi.—I don't have any.

President.—Do you know as a fact that they have done so at all?

Mr. Homi.—So far as my impression goes.

President.—It is only an impression?

Mr. Homi.—Yes.

President.—In paragraph 36 you are talking about the large resources of raw materials of the Tata Co., and you suggest "that it is time to devise some methods whereby there may be an equitable distribution of the natural resources of the country amongst concerns that are ready to take the field in the immediate future as it assures the children of the soil who are co-partners in such natural gifts, a fair and certain participation in the benefits derived from such enterprise." You know, I suppose, that the great bulk of the iron ore is not in British India at all.

Mr. Homi.—Yes.

President.—And therefore the "children of the soil" are the residents of the Feudatory States?

Mr. Homi.—Yes, and of the country as a whole.

President.—I wanted to be sure whether you understood that.

In paragraph 41, you say "The Tata Iron and Steel Co. enjoyed over its competitors in respect of its prime sources of manufactures, both the basic raw materials—ore, coal and stone—and labour, thirty and forty times roughly as compared to England and America." I want to understand just exactly what your contention is as regards that. Does it mean that, if we take the quantity of ore required to make a ton of pig iron and also the quantity of limestone and coal in each of these companies and multiply by the cost of these materials, and if again we take the number of men required to make a ton of pig and take their wages as the wages of an average unskilled labour and take similar figures for England and India, is it your contention that supposing the cost of labour and raw materials came to Rs. 5 in India, it would come to Rs. 150 in England and Rs. 200 in America?

Mr. Homi.—A certain reasonable proportion.

President.—What is the meaning of "thirty and forty times?"

Mr. Homi.—So far as prices were concerned at the initial stage. It is not necessary that because the supplies of raw materials and labour come to about 20 or 30 times cheaper than in other countries, the same should be reflected in the cost of a particular product.

President.—I am not suggesting that it should. Take the quantity of limestone required and multiply it by the price; do the same with coal and ore in each of the three countries. Then I understand you are making your labour comparison on the basis of wages of an ordinary unskilled labourer. Very well, take the number of men required to make a ton of pig iron in America; multiply that by the wages of unskilled labour. Take the same number of men in India and multiply that by the wages of unskilled labour. Do the same with regard to England. Is it your contention—I am going to give you a hypothetical figure—that if the cost came to one rupee in the case of India, it would be Rs. 30 and Rs. 40 in the case of England and America, respectively?

Mr. Homi.—A certain reasonable proportion is to be shewn in the product.

President.—What do you mean by "thirty and forty times?" Thirty and forty times what?

Mr. Homi.—30 and 40 times the advantage of the raw materials.

President.—I can follow your calculations about labour to a certain extent, but I cannot follow it as regards raw materials.

Mr. Homi.—Supposing the raw materials cost one rupee in India.

President.—Take it on the basis of a ton of pig.

Mr. Homi.—If in America the cost comes to Rs. 20, would it be 20 times the advantage?

President.—I am asking you what your meaning is.

Mr. Homi.—Addition of these advantages.

President.—Take one ton of coal.

Mr. Homi.—It is five times cheaper in India.

President.—That is one method. I am taking one ton of coal, one ton of iron ore and one ton of limestone and I am to write down the prices of these in India, England and America and then I am to add them. Then I am to take a certain number of labourers—the same for each of these three countries and I am to multiply that number in each case by the rate of wages of unskilled labour in that country and after I have done that, I shall find that the English figure is 30 times, and the American figure 40 times, the Indian figure.

Mr. Homi.—Yes.

President.—In paragraph 54 you say "I am prepared to concede, but only for argument's sake, that due to inexperience and lack of stamina of our underfed and undernourished labour it may be deemed desirable to employ two men where one is used on an average in Europe and America." Mr. Mather has already asked you so many questions on this but there is only one point on which I want to ask a question. Do you think that low-paid labour is the same thing as cheap labour?

Mr. Homi.—Cheap in what respect?

President.—The fact that in a particular country labour is low-paid, does that mean that labour is cheap in that country?

Mr. Homi.—It has been found to be economical.

President.—Is it so generally?

Mr. Homi.—So far.

President.—If it were the case in all industries in India that two men are as good as one man in any other country, considering the difference in the rate of wages, would it not mean that India could capture the markets of the world in every branch of industry? Take cotton mills, for instance

Mr. Homi.—I have no experience of cotton mills and I cannot say.

President.—If two Indians are as good as one American in respect of steel making, there is no obvious reason why they should not be equally good in cotton or any other industry.

Mr. Homi.—If certain operation can be performed by a certain number of men there is no reason why there should be more men employed on that. Most work is done by machinery.

President.—Have you ever considered why it is that labour is low paid in India?

Mr. Homi.—Because there is a great supply.

President.—Are you aware, for instance, that in the coalfields there is great labour trouble?

Mr. Homi.—Because the conditions of labour are not satisfactory to the men.

President.—You think that conditions of work in the coalfields are not suited to the men, whereas in the steel manufacture they are?

Mr. Homi.—Not necessarily but take for argument's sake.

President.—I am afraid I am not prepared to take it on that basis. After all it is a separate issue. We all know that wages of labour are very low in India: we also know that in a great many manufactures that does not necessarily mean that labour is cheap. It does not necessarily mean you have got to spend on it a smaller amount than in England or America.

Mr. Homi.—I take it this might be because of the tremendous supply of labour; labour owing to lack of means to keep body and soul together for the whole year round go and literally swamp the labour market. Because there is a great supply of labour men are not treated by the employers in the same way as they would be if there was an actual shortage. In that case the employers will take more care of their labour. Owing to the men being changed continuously there is scarcely any chance of their becoming efficient. In that light if employers of labour change their men often or employ more number than is actually necessary, the real cheapness vanishes in practice.

President.—It is applicable not only to the steel industry but to all industries. After all it is not surprising that Tatas' have not been more successful than other manufacturers.

Mr. Homi.—That does not show why Tatas' should not have set an example.

President.—But it makes a considerable difference whether the result that you think is possible is peculiar to Tatas' or whether it is one that is common to all industries in India.

Mr. Homi.—It is common to almost all industries.

President.—In paragraph 72 you say "The Electrical Department has a surplus of stores and spares enough to take care of the needs of three such plants." That is, as compared with similar plants in United States. Is that the idea?

Mr. Homi.—Yes.

President.—Can you think of any reason why it should be necessary in India to keep more spares than in the United States?

Mr. Homi.—Because there is more wear and tear and more breakages.

President.—Have you considered the length of time which it takes to replace broken or injured parts?

Mr. Homi.—Most parts are manufactured right on the spot so far as the Electrical Department is concerned.

President.—Your view is that electrical apparatus can be manufactured on the spot?

Mr. Homi.—Yes, say, in case the generator or a motor is burnt out they replace it.

President.—They cannot do it properly unless they have got spare parts on the spot.

Mr. Homi.—When such parts are burnt out they replace those parts in shops by employing native labour. If you take it right from the beginning it is different, I mean so far as machinery is concerned.

President.—If you do take it from the beginning does not that mean that the Indian manufacturer has got to have a large number of spare parts owing to the time it takes to get things when ordered from abroad?

Mr. Homi.—It depends on the quantity of the order.

President.—You admit then that the Indian manufacturer, as compared with the American, is at a necessary disadvantage and that allowance must be made for it?

Mr. Homi.—It is a question of the degree of allowance.

President.—In paragraph 110 you talk about the use of manganese ore in the furnace. You say that it is not done at Jamshedpur. Can you tell us where manganese ore is used in the furnaces at present?

Mr. Homi.—In the open hearth.

President.—In what country?

Mr. Homi.—At Jamshedpur. In America they cannot use it because the price of the ores is prohibitive.

President.—I imagined when I read the passage that you meant that the Tata Company were not using it at Jamshedpur.

Mr. Mather.—You think it is a good thing that it should be used?

Mr. Homi.—Yes. But whether you get adequate advantages and returns from it is a different point.

Mr. Mather.—You will bear in mind that the manganese ore is much cheaper in Jamshedpur than it is likely to be in the United States.

Mr. Homi.—Absolutely so.

President.—In paragraph 113 you say "High priced Chanda ore of 70 per cent. Fe. content is used for reduction in the furnace . . ." Can you tell us what your information about that is?

Mr. Homi.—From the Tatas' cost sheets.

President.—Is it your information that it is still done at Jamshedpur?

Mr. Homi.—Not recently.

President.—It was done when you were at the Works?

Mr. Homi.—Yes, and up to a very late period.

President.—Up to what time?

Mr. Homi.—May I be permitted to divulge that?

President.—If the information came to you from the documents of the Company you cannot quote it, but if it came to you from other sources it might be admissible.

Mr. Homi.—From other sources when I was there and for later periods from the Company's cost sheets.

President.—Is it your information that the practice was going on very recently?

Mr. Homi.—Up to 1922.

President.—In paragraph 72 you refer to a certain statement made by Mr. Peterson. Can you just give me reference to it anywhere in his oral or written evidence?

Mr. Homi.—Page 104 of the Statements and notes—Tatas' evidence.

President.—At the end in the six appendices to your statement you give a list of the savings that could be made:

(A) Saving on the labour force . . .	Rs. 36 to 40 lakhs.
(B) Elimination of waste on the boiler fuel .	Rs. 12 to 15 lakhs.
(C) Utilisation of internal resources for the fuel needs of smelting and heating .	Rs. 12 to 14 lakhs.
(E) Economics effected in practice and procedure	Rs. 30 to 35 lakhs.
(G) Improvement and economy in practice at the O. H. furnaces	Rs. 30 to 33 lakhs.
(H) Efficiency in maintenance and running of mills	Rs. 5 lakhs.
Total economies	Rs. 125 to 142 lakhs.

Have you any idea of the percentage it comes to of the total expenditure of the Company?

Mr. Homi.—The total expenditure of the Company comes to about Rs. 2¼ crores.

President.—So that you think they can effect a saving of 50 per cent. or more in that?

Mr. Homi.—Omitting these items G and E.

President.—I have already excluded Appendices D and F which show loss in production. The other items come to about Rs. 125 lakhs.

Mr. Homi.—Appendices A, B, C and H. These are the only items which will bring down the cost of production on the basis of the existing outturn. These are shown again in the items E and G.

President.—I have left out D and F and taken the other five items which come to Rs. 125 lakhs —Rs. 142 lakhs?

Mr. Homi.—Only Appendices A, B, C and H should be added together.

President.—Why not E and G?

Mr. Homi.—These four items added together come to Rs. 65 lakhs and these will bring down the cost of production of any particular product, say at the blast furnace or at the open hearth, by the elimination of waste in fuel, etc.

President.—You have made a definite statement that they can effect a saving of so many lakhs of rupees.

Mr. Homi.—I have given particular items and I have nothing to add to these.

President.—You have not given particular items.

Mr. Homi.—That is the point which I just now explained. Bringing down the cost of fuel would reflect on the production cost: also bringing down the labour cost would reflect on cost of production. So the real two items to be considered are items E and G (item E—Rs. 30 to 35 lakhs *plus* item G—Rs. 30—33 lakhs or Rs. 60 to 68 lakhs). These are the two items of saving.

President.—With the exception of D and F they are all economies which you say could be effected on the basis of the existing outturn. I have added them all together and they come to Rs. 125 to Rs. 142 lakhs.

Mr. Homi.—But this is not the right way. The items of saving E and G on the cost of production could be brought about by economies effected in items A, B, C and H.

President.—They are all cost of production?

Mr. Homi.—No, these reflect on the total cost of production. So the real saving is (Rs. 30 to Rs. 35 lakhs *plus* Rs. 30 to Rs. 33 lakhs) or Rs. 68 lakhs.

President.—Am I to understand that the list of savings you have given us overlap each other and some items, for instance the cost of labour, are also included in the O. H. furnace?

Mr. Homi.—Fuel, labour and maintenance are reflected in E and G.

President.—Do you think it is a fair way to try and convey to the Board the impression that all these savings are feasible when to a large extent you knew that they were duplicates?

Mr. Homi.—They are not duplicates.

President.—You have just told us that they are. You say that there would be a saving of Rs. 36 to 40 lakhs in labour force and part of that is included in the Rs. 30 to 33 lakhs which might be saved under the open hearth furnace.

Mr. Homi.—These different appendices show where these savings could be effected.

President.—That is not the way in which you have put it in your written statement; I am afraid I must adhere to my own view. I can only leave it at that and do not propose to go further.

Mr. Homi.—If I can explain it further it is in this form. Supposing we started making a saving on the fuel problem and leave out all the rest. We will tackle the fuel problem in the boilers and in smelting. Each item will make so much saving and that will reflect on the total cost. Supposing it takes Rs. 5 from the cost of production.

President.—You have not put it in that way: you have put it in round sums of lakhs of rupees. We must deal with the items in the way in which you have given them in the statement.

Mr. Homi.—If you take the item of fuel—and these are items B and C—that would yield a necessary saving. Suppose we start with the labour force it would effect a saving in a particular direction, and the total of these two savings would reflect on the total cost of production.

President.—I now understand you to say that I am not at liberty to add together the figures in these six appendices excluding D and G, because they overlap, that is to say, the improvement and economy in practice at the open hearth furnace covers part of the saving in the labour and some of the saving in fuel.

Mr. Homi.—The real point is that items E and G have to be added up and that is the net saving.

President.—Don't you think that the form in which you have put your case is very misleading?

Mr. Homi.—No, it may be a question of putting E and G at the end.

President.—You have made no suggestion that the items were not cumulative.

Mr. Homi.—I have made it clear now.

President.—What is the saving you do consider could be made in the total cost of production?

Mr. Homi.—Adding E and G together which comes to Rs. 60 to Rs. 68 lakhs.

President.—The rest we need not pay any attention to.

Mr. Homi.—The rest are included in this. They bring about this result.

President.—For instance, you consider that the efficiency in maintenance and running of the mills, etc., is covered to some extent in the blast furnace economy and open hearth furnace economy?

Mr. Homi.—It cannot be included in that: it would be included in the cost of production of the mills. I have mentioned that in dealing with the mills in para. 154 "My personal opinion based on experience of mills is that much of this cost is capable of toning down to a marked degree resulting in greater improvement and saving in the final cost, till it could be well stabilised somewhere near Rs. 90 for the big mills and Rs. 100 for the merchant products. At that rate, on the present scale of production, there is possibly a saving of Rs. 27 lakhs on the big mills and 11 lakhs of rupees on the bar mills or a total not less than Rs. 30 lakhs annually as amongst the mills." So this particular item has also to go in.

President.—I must leave it there but I cannot say I understand what you mean.

Mr. Ginwala.—Part of your case against Tatas' is that they had many natural advantages which have been practically now thrown away by them. I am trying to understand what your case is.

Mr. Homi.—Yes.

Mr. Ginwala.—All of them you say have disappeared?

Mr. Homi.—Yes.

Mr. Ginwala.—Then you say that their practice has deteriorated?

Mr. Homi.—Yes.

Mr. Ginwala.—And that by comparison with America it is shown to be very bad. You also lay stress on the fact that in America the practice has improved and the cost of production has come down. Am I correct?

Mr. Homi.—Yes.

Mr. Ginwala.—You give certain facts and figures to establish these propositions. We have decided, as you know, that, until you get permission to make use of the American figures, we cannot go upon them at present. I shall, therefore, put to you the figures that are available to show how far they are established. May I take it that you will admit this as a working proposition—that the average American price is a fair indication of the cost of production at a particular period? Supposing the pre-war price of pig was Rs. 5 a ton and after the war it has risen to Rs. 10 a ton, you may fairly conclude that the cost of production must have risen by about 100 per cent. Therefore on that basis I want you to help me to decide whether the case that you are setting up has been established. First we shall take the

market price of various articles in America. Will you accept these figures as more or less correct for the purposes?

Mr. Homi.—Yes.

Mr. Ginwala.—Take the market price of ore. We shall take for America the year 1913. Which year would you like to take for Tatas' corresponding to a pre-war year?

Mr. Homi.—1913-14 is the initial stage. We may take any year in the period from 1914—1918.

Mr. Ginwala.—We shall take the year 1916-17 in the case of Tatas'.

Ore—

	1913.	1923.
	America—average 3.40 (Dollars).	Jan. 5.05 (Dollars).

There is an increase there of roughly 50 per cent. or more.

Mr. Homi.—Yes.

Mr. Ginwala.—Then take *basic pig* corresponding to Tatas No. 3 Cleveland.

1913.	1923.
America—14.63 Dollars.	25.50 Dollars.

There is an increase of nearly 80 per cent.

Billets—

1913.	1923.
25.96 Dollars.	37.50 Dollars

Steel bars—their price is stated per pound.

1913.	1923.
1.38 cents.	2.1 cents (January).

Rails—

28 dollars.	43 dollars.

If you take those percentages and take Tata's costs so far as they are available, in order to show that Tata's practice has deteriorated you will have to justify that Tatas' cost of production has increased in a much greater proportion than the American cost of production.

Mr. Homi.—It depends on the various factors that bring it out.

Mr. Ginwala.—Take it as a whole. We are now talking of practice generally. Take the price of rails. It has risen by about 50 per cent. in the United States. Unless you are able to show that Tatas' costs for, say, 1921-22, which is a normal year for Tata's have increased by a good deal more than 50 per cent. since 1916-17, can you reasonably argue that Tatas' practice has deteriorated as compared with America?

Mr. Homi.—My standpoint about the Tata practice is on the production and price.

Mr. Ginwala.—After all, everything depends on the ultimate selling price.

Mr. Homi.—Absolutely.

Mr. Ginwala.—It bears a necessary relation to the cost of production?

Mr. Homi.—Yes.

Mr. Ginwala.—If the American cost of production has gone up by 60 per cent., would it be too much if Tatas cost of production goes up in the same proportion, other things being equal? Would you expect Tatas' cost to go up less when the American cost has gone up by 60 per cent?

Mr. Homi.—You have to remember how the prices of their raw materials have increased.

Mr. Ginwala.—In some cases India has an advantage while in others America has an advantage. That is to be balanced in the end. What I now

want to know is, supposing the cost of production in America has gone up by 60 per cent. would it be unfair to expect Tatas' price to go up at least by that per cent.?

Mr. Homi.—Well, for argument's sake let us say "yes."

Mr. Ginwala.—Did you expect them to go up?

Mr. Homi.—Yes.

Mr. Ginwala.—There is nothing to be surprised at?

Mr. Homi.—No.

Mr. Ginwala.—I think you have given the British price somewhere too. Will you take the price that I give you? You have worked it out in rupees and it does not correspond. Take the price of No. 3 Cleveland pig iron.

In England in 1913 the price was 58 shillings.

Ditto in 1922-23 the price was 95/6 shillings.

Mr. Homi.—That may be taken as correct.

Mr. Ginwala.—The price of rails in 1913-14 in England may be taken as 122-6*d*. The quoted price to-day is £8-10, that is 160 or 170 shillings in England. There also you find that the price has risen by 60 or 70 per cent. So that if Tatas' cost of production does not increase more than that, you would admit that they compare favourably with the British manufacturer, other things being equal?

Mr. Homi.—Yes, other things being equal.

Mr. Ginwala.—Now, taking steel as a whole, I think one of your main allegations is that the cost of labour and the "all in cost" of Tatas are higher than they ought to be.

Mr. Homi.—Yes.

Mr. Ginwala.—Take first the labour per ton of pig (paragraph 84) in the United States—

1914	Rs. 1-12-0
1921	Rs. 3-10-0

That is exactly double, an increase of 100 per cent., in a ton of pig.

Mr. Homi.—Yes.

Mr. Ginwala.—The same thing applies to "all other costs" in the United States—

1914	Rs. 2-2-0
1921	Rs. 8-1-0

or 350 per cent., roughly 4 times. Then let us take "all other costs" (paragraph 115) about pig iron.

Mr. Homi.—May I at this stage put in the 1922 American costs that I have received a day or two ago?

1922—on an average production of 8 million tons of pig, the cost of labour was Rs. 2-1-0.

Mr. Ginwala.—That is a big drop from Rs. 8-1-0 to Rs. 2-1-0.

Mr. Homi.—And "all other costs" is Rs. 5-15-0.

Mr. Ginwala.—That is a 300 per cent. increase, is it not?

Mr. Homi.—Yes.

Mr. Ginwala.—Take paragraph 115 "all other costs." I think that applies to...........

Mr. Homi.—1922 cost in the open hearth comes to Rs. 10-11-0.

Mr. Ginwala.—Let us take labour first (paragraph 121).

Labour per ton of ingot in the United States in

1914			Rs. 2-0-7
Ditto	ditto	in 1921 . .	Rs. 4-1-0
Ditto	ditto	in 1922 . .	Rs. 2-13-0

Mr. Homi.—Yes.

Mr. Ginwala.—Now we will take " all other costs."

" All other costs " in United States, 1914	. .	Rs. 5-14-0
Ditto, 1921	. .	Rs. 14-4-0

That is nearly 200 per cent.?

Mr. Homi.—Yes. In 1922 it would Rs. 10-12-0.

Mr. Ginwala.—That just makes 100 per cent. Now, the next item. think, is in the mills. Take the blooming mill.

United States, 1914	. . . .	Rs. 1-11-0
Ditto 1921	. . . .	Rs. 3-10-0

just 100 per cent increase.

Mr. Homi.—Yes.

Mr. Ginwala.—" All other costs " United States (paragraph 158).

1914	. . . .	Rs. 2-6-0
1921	. . . .	Rs. 5-12-0

an increase of 150 per cent.

Mr. Homi.—Yes.

Mr. Ginwala.—But Tata's labour has remained stationery?

Mr. Homi.—Yes.

Mr. Ginwala.—The same thing with regard to Tatas " all other costs." If you take 1917 at Rs. 4 and 1921 at Rs. 6-3 there is rise of 50 per cent. there.

Mr. Homi.—Yes.

Mr. Ginwala.—Having taken all these things together, I mean without going into much detail, does it not appear as though the labour and " all-in costs " in the United State has gone up by at least 100 per cent.?

Mr. Homi.—Yes.

Mr. Ginwala.—So that if Tata's costs compared to 1916-17 did not go up by more than 100 per cent., they would compare favourably with American practice speaking generally?

Mr. Homi.—Yes, but I do not recognize the 1916-17 practice as efficient.

Mr. Ginwala.—And to that extent you cannot criticize Tatas' practice too adversely?

Mr. Homi.—But does it take into consideration that amount of increase given to labour?

Mr. Ginwala.—In spite of everything. I may now sum up the general results to you. I have tried to show you that in some of the finished articles of steel the selling price in the United States has gone up 57 per cent. and in some cases 70 per cent more or less, and we have decided that is to be taken as a fair indication of the cost of production. Then I have tried to show that taking the practice as a whole in America the labour and the " all-in costs " which would include service and other things have gone up 100 per cent., if not more and other things being equal, therefore, if Tatas' costs have not increased in much greater proportion than that, on general grounds, can you condemn Tatas' practice?

Mr. Homi.—But the question is whether all things are equal.

Mr. Ginwala.—Why do you say other things are not equal? We started with an industry, and took it as it stood in both countries on a particular date. Then we watched its progress in both countries and the result. One country has produced certain results. Rails which sold at 28 dollars in the United States before the war now sell at 43 dollars. The question is if the United States claims an increase of 57 per cent. on the pre-war price, what

increase ought the Tata Company legitimately to claim in regard to their production of rails, without going into details?

Mr. Homi.—I think it would be hard to go on that line.

Mr. Ginwala.—Why?

Mr. Homi.—Because unless you examine each of these different items it would be unfair.

Mr. Ginwala.—We are comparing the practice in two countries and we are judging the practice by results. After all the results are the best indication of a man's work, are they not?

Mr. Homi.—Yes.

Mr. Ginwala.—You do not examine every detail of his life. I want to apply the same principle to an industry. If the result is more or less the same, has the country much reason to complain? I am not saying anything about Tatas.

Mr. Homi.—I cannot give an opinion on that line of argument.

Mr. Ginwala.—You cannot accept that as a correct way of reasoning. You would insist upon going into every item and examine the relative importance of each item in each country?

Mr. Homi.—Yes.

Mr. Ginwala.—Would that be a better method, or this one in which we can judge by the results?

Mr. Homi.—Suppose I take a particular case—say the blast furnace,—we have not touched the labour problem. We had two blast furnaces up to August 1918. These individual units can be worked up by a certain force, by a certain standard number of men; and taking, say, a minimum of 100 or whatever it is, they cannot be run with less than that, if two blast furnaces could be run in 1918 with 280 men and now we have 1,500 on 2 blast furnaces, doesn't it emphasize that there has been extravagance?

Mr. Ginwala.—Not necessarily. To what would you assign the increase in the price of rails in the United States?

Mr. Homi.—One item is the increase granted to labour.

Mr. Ginwala.—Taking things as a whole, unless you are able to satisfy me—I am not looking at it from an expert point of view, I am speaking like an ordinary man in the street—I want you to satisfy me why you expect different results in India from America, other things being the same. We started with the same conditions; we assume that conditions remain the same, why do you expect India to produce quite different results?

Mr. Homi.—I would like to analyze things a little deeper. I would like to question "other things being equal" and see whether they have really continued to remain the same.

Mr. Ginwala.—If you do not arrive at different results in the end, how would the analysis help you?

Mr. Homi.—The 100 per cent. in America and the 100 per cent. increase in India may be due to two different factors.

Mr. Ginwala.—It may be due to 100 different factors.

Mr. Homi.—Taking, for argument's sake, two factors, first taking the cost of labour only, supposing they used a large number of labour or a smaller number of labour having granted them different increases bringing their wages to 100 per cent. more, as a matter of fact Tatas have not had to increase their labour charges to that large extent in point of wages as they have increased in point of number. That I want to emphasize: that brings about the same results.

Mr. Ginwala.—Supposing that America has doubled its wages and Tatas' have doubled their number of men, they arrive at the same result but by different methods because the conditions of the countries have been very different, and that is what I am trying to point out. If the two countries arrive at the same result, the method by which they arrive at the result is

comparatively of little importance. I am putting it from the common sense, as opposed to the technical, point of view.

Mr. Homi.—It is not a question of common sense. The increase in the wages rate has . . . .

Mr. Ginwala.—On the other hand something else may be decreased here which might have gone up in the United States. So far as I am concerned, I am only looking at it from the results point of view and unless you can show better results..........

Mr. Homi.—Better result is governed by better practice in the plant.

Mr. Ginwala.—I think you have stated somewhere in the statement that there are too many Americans employed especially on the open hearth. You don't allege that in the coke ovens or in the blast furnace or in the blooming mills there are more non-Indians than there ought to be?

Mr. Homi.—No.

Mr. Ginwala.—In the coke ovens there is no American. In the blast furnace there are 8 covenanted employés.

Mr. Homi.—They are all Americans.

Mr. Ginwala.—Do you consider that an excessive number?

Mr. Homi.—No.

Mr. Ginwala.—Take the open hearth. There are 7 open hearth furnaces, are there not?

Mr. Homi.—Yes.

Mr. Ginwala.—And 3 shifts a day, that is 21 furnaces a day and you have got 42 men, that is to say, 2 men for each furnace per shift. Do you consider that excessive?

Mr. Homi.—No.

Mr. Ginwala.—In the blooming mill you have got 3; you do not consider that excessive?

Mr. Homi.—No. If I remember aright I have not mentioned that there are any excessive number of covenanted men.

Mr. Ginwala.—You allege that more money is spent on labour; do you mean excessive men or wages?

Mr. Homi.—In this case, wages.

Mr. Ginwala.—The same thing applies to the rail mill. Do you consider there are more covenanted hands than there ought to be?

Mr. Homi.—I believe so.

Mr. Ginwala.—How many you think they ought to have?

Mr. Homi.—There are 15 men altogether. This rail mill produces 60,000 tons or an average of 4,000 tons per man. In my opinion 2 men would be enough to run the whole mill.

***Mr. Ginwala.*—In three shifts?**

Mr. Homi.—Yes.

Mr. Ginwala.—How can they run 3 shifts?

Mr. Homi.—With replacement by Indian labour.

Mr. Ginwala.—No covenanted man would, I think, be able to run three shifts a day efficiently.

Mr. Homi.—One man in the bar mill and one man in the rolling mill, as supervisory or advisory staff.

Mr. Ginwala.—Would it give continuous supervision for 24 hours a day?

Mr. Homi.—All the covenanted hands that can at present be utilized in the mills should be merely limited to two men.

Mr. Ginwala.—Have you any justification for that assertion?

Mr. Homi.—I think the Indian staff is capable of looking round the whole of the mill.

Mr. Ginwala.—Is it not a fact, so far as machinery goes, that the largest number of breakages are in the rolling mill and the bar mill?

Mr. Homi.—Yes.

Mr. Ginwala.—In spite of there being more extensive supervision?

Mr. Homi.—The point is that there is very little organization.

Mr. Ginwala.—But still do you think that at present in place of 20 men you can do with 2 men?

Mr. Homi.—Yes.

Mr. Ginwala.—With regard to the Indian labour you say the number of employés is excessive?

Mr. Homi.—Yes.

Mr. Ginwala.—And you allow that out of these 26,000 men altogether about 3,000 men are employed in the Greater Extensions?

Mr. Homi.—That is my information.

Mr. Ginwala.—Does it not strike you that that information may require considerable modification? I mean you make a statement that they employed 26,000 men, but you do not take care to verify how many of them are really employed on steel production and how many on the extensions?

Mr. Homi.—This figure does not take into consideration all contractors' labour. There is a mistake here. In 1922 it should have been 7,200.

Mr. Ginwala.—That would leave about 19,000 for steel production?

Mr. Homi.—Yes.

Mr. Ginwala.—You are taking the men on the rolls?

Mr. Homi.—Yes.

Mr. Ginwala.—Do you know the number of absentees; how many per cent. would you allow—leave alone these figures for the present, we are talking of the general conditions of industry in this country,—what is a fair percentage of absentees?

Mr. Homi.—I will give you the exact figures. There are 29,000 on the muster roll, about 25,000 presentees—about 4,000 less.

Mr. Ginwala.—That is to say a little less than 20 per cent. But don't you know that the number of absentees in the works is greater than outside, generally speaking, in Indian industries, so that that percentage would hardly apply to the men actually employed in the works?

Mr. Homi.—That accentuates my point that labour has to be domiciled and made suitable.

Mr. Ginwala.—But you object to money being spent on allowing the labour to be domiciled. This morning you said that the Tata Company have spent so much money on housing, etc. I am trying to point this out to you that you say that of the labour employed about 30 to 40 per cent. are absentees.

Mr. Homi.—That is so.

Mr. Ginwala.—That is not the case in America?

Mr. Homi.—No. That again emphasizes the need for organization. If labour were treated well there would be no chance of its running away or fluctuating.

Mr. Ginwala.—What is your complaint about the treatment of labour?

Mr. Homi.—These men are never sure of their jobs.

Mr. Ginwala.—Are you talking of the skilled or unskilled?

Mr. Homi.—I am talking of ordinary labour, both skilled and unskilled.

Mr. Ginwala.—That is to say, they are liable to be turned out at any time.

Mr. Homi.—Yes. Their wages are given monthly, but then there is no fixity of tenure.

Mr. Ginwala.—Is there not in this country a greater fixity of tenure than in America where you get your wages every week?

Mr. Homi.—The point is different. Whether you give them one week's wages or one month's wages it makes no difference.

Mr. Ginwala.—An employer does not ordinarily change his labour if the labour is suitable in this country or in any other country.

Mr. Homi.—The situation in Jamshedpur is something which requires a change. I speak from my own experience.

Mr. Ginwala.—Do you mean to say that they get rid of the labour for no rhyme or reason?

Mr. Homi.—Very often I have seen labour being turned out because somebody was laughed at.

Mr. Ginwala.—It may be a very serious thing if one were to laugh at one's superior.

Mr. Homi.—It is not a question of laughing at a superior.

Mr. Ginwala.—What is the other complaint?

Mr. Homi.—No uniformity of wages. Take the case of locomotive drivers. One man will be getting 12 annas a day, and another 14 annas a day. There is no fixed scale of wages for any particular jobs. In America it is not the man that counts but the particular job that counts.

Mr. Ginwala.—That would apply to nearly all forms of labour in any country. Do you know we get different wages even on this Board?

Mr. Homi.—Wages may vary in degree but where the work implies the same effort, it is unreasonable that it should not carry the same pay.

President.—Does such an uniformity exist in America?

Mr. Homi.—Yes. Then there is the question of promotion. It depends entirely on the whim of the officers concerned.

Mr. Ginwala.—That is the complaint against all employers in the world.

Mr. Homi.—It has been very much emphasised at Jamshedpur.

Mr. Ginwala.—You might say the same thing about Government or the Corporation or any other public body. Everywhere promotion must depend largely on the good or bad opinion that your immediate superior has of you. Is not that an element of some importance? Have you any other complaint?

Mr. Homi.—About the question of fines.

Mr. Ginwala.—These are small matters. You say that the three or four principal causes which you have mentioned make labour uncertain and make it necessary for them to employ more men than necessary.

Mr. Homi.—Yes. There is also the question of lack of housing facilities.

Mr. Ginwala.—Do you complain that there are not enough housing facilities?

Mr. Homi.—50 per cent. of the employees have no place to go to.

Mr. Ginwala.—But then, the Company have spent a considerable amount already on housing.

Mr. Homi.—Yes.

Mr. Ginwala.—They have spent a great deal more money than most of the employers in India have spent.

Mr. Homi.—Yes.

Mr. Ginwala.—Your complaint in this memorandum is that they are spending too much.

Mr. Homi.—It is not to be taken in this particular light.

Mr. Ginwala.—You talked of various things and then said that they were spending too much money.

Mr. Homi.—I am talking absolutely, not with reference to any context.

Mr. Ginwala.—I think that you have said that there is a great deal more money spent on these services than there ought to be.

Mr. Homi.—Have we left the question of labour?

Mr. Ginwala.—This is connected with labour.

Mr. Homi.—Then there is this point. When you say that there is so much money spent.

Mr. Ginwala.—I don't say that. You say that so much more money is spent.

Mr. Homi.—Yes, on these services and housing facilities and still the accommodation has not been sufficient for the workmen. How much more would these existing facilities have been useful if they had not employed that large number of men?

Mr. Ginwala.—If we have to keep 140 instead of 100 men, you have to make provision for 140, must you not?

Mr. Homi.—Yes.

Mr. Ginwala.—You have just now tried to point out that they have got to keep 140 men in place of 100, so that you could hardly blame the Company for doing that.

Mr. Homi.—I did not accept that. Disproportionate sums have been spent on two different kinds of houses, one for the higher service people and the other for labour.

Mr. Ginwala.—I don't quite follow.

Mr. Homi.—Bungalows are built for persons who draw higher wages. They are very well and adequately housed when compared to the large amount of labour that is ill housed and draws low wages.

Mr. Ginwala.—That would be so in most places.

Mr. Homi.—We were talking of the reasons why labour was discontented.

Mr. Ginwala.—You agree generally that as a matter of principle the employer must house his labour.

Mr. Homi.—Yes.

Mr. Ginwala.—Assuming that Tatas had not employed too many men, you would expect then to find accommodation for what they ought to employ?

Mr. Homi.—Mostly. I will give you one personal experience. In America, the first thing a person employed asked is whether he has any accommodation near by the mills and whether they can help him in finding one.

Mr. Ginwala.—There they can do it, but can it be done here?

Mr. Homi.—That is true, but they must take care of their labour any way.

Mr. Ginwala.—In paragraph 196, you say that the cost of production will not come down, even when they have a larger output, that is when the Greater Extensions are in full swing.

Mr. Homi.—Yes.

Mr. Ginwala.—Is that remark based on any figures?

Mr. Homi.—That is my inference.

Mr. Ginwala.—I take it that you admit that the greater the units, the lesser the cost of production.

Mr. Homi.—As a rule it is.

Mr. Ginwala.—Other things being equal, it ought to be so in Tata's case but you say that it will not be so?

Mr. Homi.—It will not be.

Mr. Ginwola.—The main reason you give is that it is an ill-conceived plant

Mr. Homi.—One of them.

Mr. Ginwala.—So far as the Greater Extensions are concerned, that is the only thing you allege.

Mr. Homi.—Firstly it is an ill-conceived plant, and secondly if it is run on the same old lines, the results would be identical.

Mr. Ginwala.—How do you know?

Mr. Homi.—" If past history, the trend of prices and the precedents of the Company are any index to a forecast, the conclusion can be only one, that the tendency of costs at Jamshedpur keeping pace with production is the only way, that is, to increase with increased output."

Mr. Ginwala.—The Greater Extensions as you know are constructed to produce a much bigger output in a much shorter time by continuous processes.

Mr. Homi.—Yes.

Mr. Ginwala.—So, why do you assume, the plant being differently constructed, that it would necessarily be worked like the old plant?

Mr. Homi.—Because I know the ways of the Company.

Mr. Ginwala.—How can you say that with reference to the Greater Extensions?

Mr. Homi.—I have made a forecast. I am entitled to that.

Mr. Ginwala.—That is to say, you will apply your observations that you made with reference to the old plant to the new plant even before it has come into operation.

Mr. Homi.—Yes.

Mr. Ginwala.—You are entitled to do so, of course. I cannot stop you.

Mr. Homi.—Time alone will show.

Mr. Kale.—Can you tell me whether you are a free trader or a protectionist?

Mr. Homi.—I am a protectionist out and out. If a system of protection could ensure to the people of the country a comfortable and decent standard of living by increasing the facilities for employment and the development of industries, I have no objection in advocating a policy of protection.

Mr. Kale.—You have tried to modify the term " protectionist " by a long statement.

Mr. Homi.—Protection would generally conduce to that result.

Mr. Kale.—I want to ask you whether you understood the word " protectionist " in different senses. I understood the word in one sense, namely, to mean one who wants to promote the industries of the country, even at a sacrifice, because he believes that in the long run the country benefits by that policy. That is the definition of a protectionist. Have you got a different definition of protectionist?

Mr. Homi.—That is the same. You are looking from hypothesis, I am looking from results.

Mr. Kale.—Have you studied the history of steel manfacture in the United States from the very first?

Mr. Homi.—It may not be a detailed history, but I know the general points.

Mr. Kale.—Do you know through what stage that industry has passed?

Mr. Homi.—Yes.

Mr. Kale.—Do you know that the Government of the United States adopted protection in the case of the steel industry because in spite of natural disadvantages, the Government and the people thought that it was an essential industry from the national point of view?

Mr. Homi.—Absolutely.

Mr. Kale.—If, therefore, the people and the Government in India believe that the steel industry must be developed in this country at any cost, do you think that it will be unreasonable for them to give what protection is thought necessary?

Mr. Homi.—No.

Mr. Kale.—So that you would not think it unreasonable if the people and the Government in India follow the same policy as the people and the Government in the United States have adopted with regard to their steel industry?

Mr. Homi.—Not a bit.

Mr. Kale.—Your only complaint with regard to the existing steel industry is that there is a good deal of room for economy and improvement. That is your only ground?

Mr. Homi.—Yes.

Mr. Kale.—From certain remarks you have made towards the close of your statement, it appears that you are very keen upon giving encouragement to industries for the benefit of the people?

Mr. Homi.—Yes.

Mr. Kale.—So that if you are satisfied that all practicable improvements and economies are introduced in the existing steel works in India, then Government and the people must incur the necessary sacrifice for encouraging that industry?

Mr. Homi.—Yes.

Mr. Kale.—Assume that the Government and the people after prolonged study and deliberation come to the conclusion that all the economies and improvements that are practicable could only reduce the cost of production by 10 per cent. and that further improvements and economies are not practicable at the present stage; if that is the conclusion to which the Legislature and the Government and the Board deliberately come, then do you still think that no protection should be granted?

Mr. Homi.—I think that I should make my position clear. I have absolutely no objection to Tatas' being granted protection; in fact to any Company that comes for making steel in India. At the same time, when the people are asked to make a certain amount of sacrifice, I think it reasonable and right that they must expect that the bounty or protection—whatever form it takes—which has been given should be utilised to the fullest extent. It is a natural tendency that when a person is sure of a certain income, there is very little inducement for him to exert.

Mr. Kale.—Shall we not assume that the Legislature and the Government and the people will see to it that there is no monopoly and that a particular industry is not being pampered? We will assume that the people and the Government will be wide awake and see that these evils do not take place. If the Legislature and the Government come to the conclusion that all the economies and improvements that are practicable for a few years to come could only reduce the cost of production by about 10 per cent., do you still adhere to your view that protection should not be granted unless and until a reduction of 50 per cent. is made in the cost?

Mr. Homi.—I have never expressed that it should not be granted unless and until that reduction is made.

Mr. Kale.—I am asking what your view is?

Mr. Homi.—I have stated my view very clearly.

Mr. Kale.—Will you please repeat it?

Mr. Homi.—I will in a minute: "Tariff is really necessary as conditions are at present but if proper attention were paid to Indian costs, it will probably be found that such is unnecessary." So under the existing circumstances, tariff is really necessary.

Mr. Kale.—If, on a careful enquiry, it is found that a certain measure of protection either in the form of bounties or import duty is absolutely necessary to keep up the industry going, then you won't object to protection being granted?

Mr. Homi.—No.

Mr. Kale.—I should like to know whether you have studied the steel industry in the States from the point of view of the industrial organisation generally, not from the point of view of internal organisation of this or that department, employment of labour and working of the machinery, but the wider point of view of industrial organisation? Have you studied the steel industry from that point of view?

Mr. Homi.—That is, in this form that protection tended to develop industries?

Mr. Kale.—Taking the social conditions, political conditions, intellectual conditions and what is suited to their particular needs and conditions, have you studied the steel industry from the point of view of these things?

Mr. Homi.—Yes.

Mr. Kale.—Have you done the same thing with regard to the steel industry in India both before you went to the States and after you returned from the States?

Mr. Homi.—I don't grasp the point.

Mr. Kale.—You cannot express any opinion on any industry unless and until you have taken a very wide view of the problem. Have you had time and opportunity to study this problem after your return from America?

Mr. Homi.—I have compared both these problems together.

Mr. Kale.—Have you studied it after your return? That is an important question?

Mr. Homi.—That is, after I landed in India? It makes no difference where I studied.

Mr. Kale.—It makes a world of difference in this way. When you returned to India with a certain amount of knowledge of American conditions, you were in a position to apply that knowledge to Indian conditions. That of course requires time. Have you had the time and the opportunities to apply your information and your knowledge to existing Indian conditions? I am afraid, you had not.

Mr. Homi.—I had not. How can I? Where is the time that is needed.

Mr. Kale.—You had no time to do it. On the Tariff Board we have spent 3 or 4 months and even now we do not know where we stand. From our experience, it appears that a good deal of time is necessary to study from all points of view a large and complicated industry like the steel industry.

Mr. Homi.—Yes.

Mr. Kale.—Does it not occur to you that on further application of your knowledge to the steel industry in India, you may modify some of the statements that you have made?

Mr. Homi.—Which particular one are you referring to?

Mr. Kale.—I am not referring to any particular statement. It may be that you will have to modify some of your statements and conclusions in the light of further observations that you may make.

Mr. Homi.—It is a proposition which unless it is put into practice you cannot answer.

Mr. Kale.—Of course it is problematical. Neither you nor I can say what will happen. I am only asking you.

Mr. Homi.—There is a possibility one way or the other.

Mr. Kale.—You will have to modify your assertions because you had not the time and opportunities to study the problem?

Mr. Homi.—It all depends upon whether a person controls the circumstances or allows himself to be controlled by circumstances.

Mr. Kale.—There is a good deal in what you say. But human intelligence is limited and in the case of a big problem like the steel industry, so far as I am concerned I think that however intelligent a man may be, he will require some time and opportunities to study it.

Mr. Homi.—There are certain limitations.

Mr. Kale.—Will you not agree that the steel industry in India, whoever starts it and takes it up at the present moment, is surrounded with certain difficulties? There are certain initial difficulties which the steel industry in India has to encounter?

Mr. Homi.—There are certain difficulties which are apt to be exaggerated.

Mr. Kale.—Everything is apt to be exaggerated, even the difficulty by which the steel industry is surrounded. The question is whether the difficulty is there or not. In America there were those difficulties and they have succeeded in overcoming them. An effort must be made in this country also to overcome those difficulties. In the meantime, a certain measure of protection may become necessary. Do you agree to that?

Mr. Homi.—Yes. A real effort must be made to overcome difficulties.

Mr. Kale.—These difficulties may refer to lack of experience among Indians and to want of training among workmen?

Mr. Homi.—Yes.

Mr. Kale.—Are they not two very important points? Very few people in India are really closely acquainted with the organisation of steel works, for instance.

Mr. Homi.—Yes.

Mr. Kale.—Very few people in India are skilled really in the sense in which American workmen are skilled in the steel industry?

Mr. Homi.—Yes.

Mr. Kale.—In spite of the fact that Tatas' works have been in existence for, say, 15 years, a good deal of training is still necessary in the case of Indian workmen.

Mr. Homi.—15 years is enough time for training up a particular staff for their own purpose.

Mr. Kale.—A certain amount of staff no doubt; but if you are extending your works, for example, you won't get the whole of your skilled labour unless it is trained for some time?

Mr. Homi.—I don't agree to that.

Mr. Kale.—Don't you think that in America there have been generations of steel workmen?

Mr. Homi.—There are in other trades too.

Mr. Kale.—In India too, in the matter of labour organisation, generations have been born and bred in certain kinds of manufacture?

Mr. Homi.—Yes.

Mr. Kale.—Has it happened in the case of the steel industry? Even a generation has not yet passed since the birth of the steel industry so that the tradition, as we may call it, has yet to grow and without the growth of a tradition you cannot really get the proper kind of trained men. I am not speaking of the men at the top. I am speaking of the men on the middle and on the lower rungs of the manufacturing ladder.

Mr. Homi.—Do you mean mechanics and such like?

Mr. Kale.—There you required more time for training?

Mr. Homi.—But in India we have had several generations of mechanics.

Mr. Kale.—Not mechanics who have worked in such large steel works?

Mr. Homi.—It makes no difference whether it is a large works or not.

Mr. Kale.—Do you think that a blacksmith who is working in a village will be efficient in the Tatas' works at Jamshedpur without training?

Mr. Homi.—If you compare him with any other ordinary labourer, he will be efficient. He will certainly pick it up quicker.

Mr. Kale.—Though he is a blacksmith, he will still require a certain amount of time?

Mr Homi.—That depends upon the time.

Mr. Kale.—That is exactly my point.

Mr. Homi.—The question of time of course differs in the case of different people. Some people put it at 15 and others more than that.

Mr. Kale.—We are speaking of averages. In the matter of training, if more training or more time is necessary, that means an increase in the cost comparatively?

Mr. Homi.—Yes.

Mr. Kale.—Will you tell me what is your view about the difference in efficiency and wages between the skilled labour and unskilled labour in America as compared with the skilled and unskilled labour in India? Are there many unskilled labourers in the American works just as we have at Jamshedpur?

Mr. Homi.—They dare not to such an extent. In this connection another question arises whether this unskilled labour is being trained for anything else or any other purpose or avocation in life.

Mr. Kale.—I don't follow.

Mr. Homi.—There is a tremendous swarm at Jamshedpur. Is it being trained consciously or unconsciously for any avocation or any particular line of work?

Mr. Kale.—Do you suggest that it should be trained?

Mr. Homi.—Yes.

Mr. Kale.—Just at the moment it is not trained?

Mr. Homi.—No.

Mr. Kale.—Will it not be necessary, therefore, to employ a larger number in India than in the United States if there is a lack of trained labour here compared with the States?

Mr. Homi.—On general grounds it would, but if you enter into particulars whether any particular job needs all the number of men, you would differ.

Mr. Kale.—That is a matter of experience and not of theory?

Mr. Homi.—I think that 15 years is too long a period.

Mr. Kale.—You might say that 15 years will be sufficient. Another man may say that 20 years will be necessary. We all agree that a long period is necessary, and till the Indian labour is properly trained to the necessary level, a larger number will have to be employed?

Mr. Homi.—Yes.

Mr. Kale.—In India, as you know, we have not got labour-saving machinery as they employ in the States.

Mr. Homi.—If you refer to Tatas' Works, they compare very favourably, except in the matter of loading and unloading of wagons.

Mr. Kale.—If you lump them all together, then the number to be employed at Tatas' Works will have to be greater?

Mr. Homi.—If by the addition of a certain fixed expenditure you would lessen the number of men, how much cheaper and more profitable would that be to having to employ indefinitely labour which we consider as cheap but which turns out not to be so.

Mr. Kale.—No employer would like to employ more men than necessary. We are comparing the conditions which obtain here with those in the States. The point I am putting to you is that on account of certain difficulties or disadvantages, namely lack of training, a larger number of absentees, peculiar Indian social conditions and so forth, it may be necessary to employ a much larger number of men in India than in the States. What that number will be, we cannot say. It is not a matter of theory. It is a matter of experience. People will differ on that point.

Mr. Homi.—Absolutely.

Mr. Kale.—How will you compare the wages of skilled and unskilled labour in India with those of the labour in the United States?

Mr. Homi.—Different trades have different standards.

Mr. Kale.—Take any trade.

Mr. Homi.—Take the case of a mechanic working in a railroad machine shop. He earns about 70 cents an hour, whereas in Jamshedpur he will be earning from about 30 to 80 rupees a month.

Mr. Kale.—That comes to less than two to three rupees a day?

Mr. Homi.—Yes, for a day of eight hours.

Mr. Kale.—In America do they work 12 hours?

Mr. Homi.—No, they have changed from 12 to 8 hours a day.

Mr. Kale.—Will you then try to put all these factors together and see whether India compares favourably with the United States, *viz.*, lack of training, lack of experience and organisation, lack of labour saving machinery, and so forth. These are the peculiar disadvantages that the industry has to suffer from for a few years to come in any case. If you put all these together, don't you think that the cost in India will to that extent be higher than in America? We are all agreed that, wherever possible, economies should be introduced, but these are difficulties which cannot be overlooked. The cost to that extent will be higher in this country than in the States, and if on a careful examination it is found that for some years we have to make an allowance for them and to see that this industry survives in India to that extent you would agree to protection being granted?

Mr. Homi.—If it is a question of survival, then protection should be granted.

Mr. Kale.—Then it may be necessary to make a tremendous sacrifice?

Mr. Homi.—Yes.

Mr. Kale.—If you find that there is a prospect of war coming on—in that case we must be dependent upon ourselves and we cannot depend upon other countries—then you would support any amount of protection?

Mr. Homi.—Yes, I have said so.

Mr. Kale.—You only desire that as far as possible wherever there are economies practicable these should be effected and no unnecessary burden should be imposed on the public?

Mr. Homi.—Yes. That is the point.

Mr. Kale.—I take it that the various suggestions contained in your statement were made in order that they may be investigated by those who are interested in the industries, *i.e.*, that those who are interested in the general development of the industry should see that these economies are brought about and the general burden on the tax-payer will be reduced?

Mr. Homi.—And that the sacrifice made by the tax-payer be not abused.

Mr. Kale.—And it is in this spirit you have put forward these suggestions?

Mr. Homi.—Yes.

Mr. Kale.—That is, if your suggestions are investigated, and it is found that some of them are practicable, they should as far as possible be put into operation?

Mr. Homi.—That is my view: you have put it in a nice form. The whole of the statement has been introduced just with a desire to see that the industry is put on a stable basis. If by any system of protection or by any other way the steel industry in the country is put on a stable basis and is made to pay at the same time by internal re-organization, I am one for it.

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